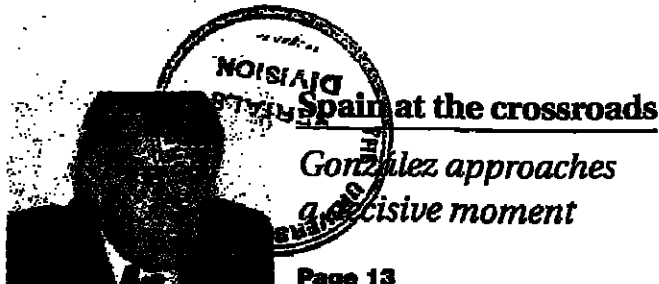


Feb 3 1993

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for Mallet

دريكة من النخيل



Spain at the crossroads
Gonzalez approaches
a decisive moment

Page 13



European white goods
How smaller companies
survive and prosper

Page 15



Diet soft drinks
Pepsi takes on
Coke in Europe

Page 9



Italian corruption
How Fiat hopes to
limit the damage

Page 3

FINANCIAL TIMES

Europe's Business Newspaper

THURSDAY MARCH 4 1993

D8523A

Strike at Ford UK plant after leak of job losses plan

Leaked internal documents from Ford Motor Company revealing plans to close most of its general services business led to a walkout at its plant in Dagenham, south-east England.

Ford intends to contract out most of its general services business in a move affecting 3,000 jobs in its British and German plants by the end of the year, in spite of the risk of industrial conflict. Mazda and Ford end venture talks, Page 15; Pressure on component suppliers, Page 16; Fiat bruised at crucial time, Page 3

Italian contracts face scrutiny
Roadbuilding contracts throughout Italy were drawn into corruption investigations, leading to the arrest of businessmen, officials of Anas, the state roads authority, and Gerardo Pelosi, director-general at the ministry of public works, Page 14

Yeltsin urged on Russian 'deadlock'
The top command of the Russian army has urged President Boris Yeltsin to take "resolute measures" to end the political deadlock in Russia, according to the daily Izvestia, Page 2; Russians leave US without grain deal, Page 30

Virgin chief will not stay silent
Richard Branson is refusing demands by British Airways for silence on its "dirty tricks" campaign against his Virgin Atlantic Airways as part of a settlement of their dispute, Page 7; Taiwan and UK to establish air links, Page 4

Rühe wants brake on EFA
German defence minister Volker Rühe called for more drastic measures to slow down the development programme of the European Fighter Aircraft, Page 2

Kraft General Foods International, part of Philip Morris, US tobacco and foods group, is to buy Terry's, United Biscuits' chocolate division, for £220m (\$312m) in cash, Page 15; Lex, Page 14

Perot attacks 'poets and philosophers'

Ross Perot, independent runner for last year's presidential election, invited himself to Capitol Hill where he proceeded to accuse the Clinton administration of incompetent mathematics and "sound bite" salesmanship. The president's energy policy advisers were a bunch of "poets, philosophers and beekeepers", none of whom had created a job in all of their working lives, he said, Page 4; Gore to hunt down waste and fraud, Page 4

EC court rules on jobs cases
Promotions sought by two European Commission civil servants - a German and a Dutchman - had been improperly reserved for a Spaniard and an Italian, the European Community Court of First Instance ruled.

Woolworth, the general merchandise and specialty store retailer, reported after-tax profits of \$28m in the 53 weeks to January 30 - well up on the previous year's \$16m loss, Page 17

CRA, the Australian mining house, reported a 9.6 per cent rise in equity-accounted net earnings to A\$411.4m (\$289.9m) in 1992 from A\$375.4m in 1991, against the tide of falling commodity prices, Page 19

SA warning on talks
Black political groups said a massacre in South Africa's Natal province in which six schoolchildren died was a deliberate attempt to jeopardise democracy talks.

Court martial threats
Two US marines may face court martial for using excessive force against Somalis, a US military spokesman said.

Anger at US dumping rulings
The US decision to impose punitive duties of nearly 63 per cent on Japanese-made liquid crystal displays has angered Japanese industry and US computer manufacturers, Page 6

Brazil secures Amazon aid
said it had completed negotiations for \$270m in aid from the world's richest industrialised countries to conserve the Amazon rainforest.

Hyperspace
Nasa will launch a rocket in May carrying Arnold Schwarzenegger's name in the first sale of high-flying advertising. The blast-off will promote his latest film, *Last Action Hero*, Page 14

Polio pioneer dies
Dr Albert Sabin, developer of the oral polio vaccine, died in a Washington hospital, aged 86.

STOCK MARKET INDICES
FT-SE 100: 2918.6 (+38.3)
Yield: 4.15
FT-SE Europe 100: 1158.09 (+2.28)
FT-4 All-Share: 1419.72 (+1.25)
Nikkei: 16,853.92 (-10.33)
New York Composite: 4,488.76 (+6.22)
Dow Jones Ind Ave: 3,486.76 (+6.22)
S&P Composite: 4,488.76 (+6.22)

US LUNCHTIME RATES
Federal Funds: 5.1%
3-mo T-bill: 5.1%
Long Bond: 8.75%
Yield: 8.75%

LONDON MONEY
3-mo Interbank: 5.1%
Life long gilt: 10.5%
Life long gilt: 10.5%
Life long gilt: 10.5%

NORTH SEA OIL (Argus)
Brent 15-day (April): \$18.99 (18.94)
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NEW YORK COMMODITIES
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Bundesbank considers new cut in loan rates

By Christopher Parkes
in Frankfurt

THE BUNDESBANK'S policymakers will today discuss a further 0.5 percentage point cut in Germany's leading interest rates against a tense background of deepening recession in Germany and elsewhere in Europe.

Today's discussion follows last weekend's meeting in London of finance ministers and central bank governors from the Group of Seven leading industrial countries at which Germany's trading partners said they would like an early cut in German rates.

The Bundesbank directorate is understood to have put the interest rate cut issue on the agenda for today's regular council meeting at which it will be joined by the heads of the regional central banks, who are the main source of pressure for reductions.

Expectations about today's

Money marketsPage 32

World stock markets Page 34

meeting have seenawed since the G7 meeting. Mr Helmut Schlesinger, Bundesbank president, initially fuelled hopes of lower official rates by predicting a slight easing of German money market rates this week. But the Bundesbank's subsequent money market operations have suggested no change.

Until yesterday there had been no sign of the turbulence in the European exchange rate mechanism which prompted surprise cuts in the discount rate and the internationally important Lombard rate to 8 per cent and 9 per cent respectively a month ago.

However, in addition to calls from Germany's partners for a further cut in interest rates to pull Europe out of recession and boost the world economy, German domestic factors have come increasingly into play. This week's industrial production sta-

tistics showed output in December and January almost 7 per cent down on a year earlier.

These figures, Deutsche Bank's new forecast that the economy is heading for a crash-landing, and a warning yesterday from Mr Ferdinand Piech, head of Volkswagen, that he was braced for a "long, massive recession", will tend to weight the opinions of regional heads in favour of cuts.

However, economists warned that over-reaction - especially in the wake of last month's abrupt rate reduction - could damage the bank's credibility and its reputation for guiding events rather than being guided by them.

Mr Klaus Friedrich, chief economist at Dresdner Bank, admitted that the rate of decline in industrial output was unprecedented compared with previous recessions. However, manufacturing accounted for only a third of gross national product, he said.

He still believed there was a better than 50 per cent chance of recovery starting this year, based on service industries' growth and increasing exports.

"A cut tomorrow could be viewed as giving way to panic in industry," he said. Exchange markets had settled now that the downward direction of the Bundesbank's rates policy was clear. It was probably not necessary for it to use up more ammunition at present. If further turbulence could be avoided, there was a "marvellous opportunity... to generate real confidence" after the French elections later this month. Then both German and French rates could be reduced in parallel. This would imply cuts on April 1 at the earliest.

But domestic economic arguments for cuts continue to mount. Several of the Bundesbank's preconditions for easing have been met. The wages spiral has been abruptly cut off, with average increases of just over 3 per cent this year; money supply growth is under control and inflation seems set for a slow decline.



Well-wishers offer support to Swiss Social Democratic party MP Christiane Brunner in Bern shortly after her nomination to join the cabinet was rejected by members of parliament. She would have been only the second woman minister in Swiss history. Report, Page 14

French try to counter German OCP bid

By Paul Abrahams in London

A CONSORTIUM including Rhone-Poulenc, France's largest chemicals company, is trying to raise between FF1.5bn and FF2.5bn (\$446m) to make a counter-bid for Office Commercial Pharmaceutique, the country's biggest medicines wholesaler.

Its aim is to outbid Gehe, Germany's second largest wholesaler, which last month announced a friendly takeover of OCP for FF600 a share, valuing the company at FF1.8bn. Together, Gehe and OCP would form Europe's largest drugs wholesaling group with sales of about DM14bn (\$8.5bn) a year.

The French consortium, which includes a number of leading investment banks and drugs groups, has been organised by Mr Dominique Strauss-Kahn, the French industry minister. The Bourely family, which owns 15

Continued on Page 14

Russia to privatise maker of top people's limousines

By John Lloyd in Moscow

ZIL, the Russian industrial conglomerate indelibly associated with the black limousines which were the preserve of top communists in the former Soviet Union, is to be privatised.

The government said yesterday that 11bn of nominal share capital - 1m shares with a face value of R1,000 - will be offered for sale at 100 auction centres across Russia.

Although Zil limousines are still used to whisk president Boris Yeltsin and his bodyguards at high speeds through the Moscow traffic, demand has fallen now that the new commercial elite prefer Mercedes and stretch Volvos. Zil also produces heavy trucks of an outmoded design and refrigerators.

The cars are handmade at a rate of two or three a year, but the mode of production guaranteed that each was unique so that parts were not interchangeable. A company official declined to reveal the price.

The cars are still popular with well-heeled tourists. They are also bought by smart young Rus-



Zil limousine: hand-made at the rate of two or three a year

trict of the capital. Requests to visit the plant were yesterday brusquely refused on the grounds that the plant had commercial secrets to protect.

The spread of Zil's sites, the wastefulness of its production methods and the archaic nature of its designs lend a certain Stalinist splendour to the company, but make it a nightmare for rationalisation and privatisation. Perhaps in recognition of the difficulty of bringing Zil to the market, a government official said foreign investment would be unlikely until "a later stage", when the various parts of the company had been broken up.

The shares offered represent 35 per cent of the share value of the company, with 40 per cent going to the workforce and management either free or on preferential terms and a further 25 per cent held in state hands for later sale.

The enterprise is the first to be offered on an all-Russian basis, and represents both an attempt to prove that organisations of this size can be successfully sold off and a test of the nationwide system for offering shares.

US calls for UN meeting to consider latest Serb attacks

By Michael Littlejohns
in New York, Jurek Martin
in Washington
and Laura Silber in Belgrade

PRESIDENT Bill Clinton and Mr Warren Christopher, the US secretary of state, yesterday said the air drops of relief supplies into eastern Bosnia would continue.

The US also called for an urgent meeting of the United Nations Security Council to consider the latest Serb attacks on Cerska, eastern Bosnia. Council members were due to go into closed session last night to discuss the crisis, which dashed hopes for progress in a new round of peace talks begun on Monday by the UN and European Community mediators.

On Tuesday night, Mr Les Aspin, US defence secretary, had given the impression that the air drops, which he described as "symbolic" and "a great success", would be suspended indefinitely. But Mr Christopher said there was "no evidence at all" that the air drops had prompted greater Serb assaults on the Muslim enclaves in eastern Bosnia. He added that in view of the "disturbing" reports of greater fighting and refugee flows "the air drops will be continuing".

A ham radio operator from Konjevic Polje, about 11km south of Cerska, which was the third target of the US air drop, yester-



day said villagers had found 18 aid pallets in snow about half a metre deep. Sarajevo radio said heavy Serb artillery fire made it impossible to conduct a wider search of the rugged, hilly terrain.

At least 18 people were yesterday reported killed and dozens wounded in Cerska, as thousands of refugees tried to flee the Serb advance through the region.

"We have reports that Konjevic Polje is under heavy bombardment by Serbs... and on amateur radio we hear they are coming under tear gas, shells, and

small arms fire", said Ms Lyndall Sachs, spokeswoman of the Belgrade office of the United Nations High Commissioner for Refugees (UNHCR).

Mr Douglas Hurd, UK foreign secretary, discussed the situation with the mediators, Mr Cyrus Vance and Lord Owen, yesterday during a day-long visit to New York that took on enhanced significance because of the worsening situation.

He also met Mr Boutros Boutros-Ghali and endorsed the UN

Continued on Page 14

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NEWS: EUROPE

Brussels to clear Perrier takeover

THE European Commission is about to approve the takeover of Perrier, the French mineral water company, by Nestlé, the Swiss food group, writes Andrew Hill in Brussels and Ian Rodger in Zurich.

Brussels' competition authorities signalled yesterday they were broadly satisfied with the proposed sale of part of Perrier's assets to the French beverage company Castel for FF7750m (\$133m).

A formal go-ahead will have to wait until the French government and the French town of Thonon-les-Bains have approved Castel as the new operator of the Vichy and Thonon water sources under their control.

The Commission approved the Nestlé-Perrier deal last July after a five month inquiry, but on condition the rights to certain mineral water brands and springs were sold to a single buyer.

The Commission wants to encourage a new "third force" on the French mineral water market, apart from Nestlé and BSN, France's biggest food company.

Commission officials said yesterday they did not think the sale of Thonon and Vichy would pose particular problems.

Under the original deal with Nestlé, Castel would have acquired the rights to Vichy, Thonon and Saint Yorre, but not Pervial, the fourth brand specified in the Commission's decision last summer. However, under pressure from Brussels, Nestlé persuaded Castel to buy Pervial as well, and announced an amended deal last week.

Mr Paul Neuraz, the mayor of Thonon, met Castel's lawyers last week, in an attempt to negotiate a tripling of production from the town's spring and a slight increase in the fee paid to the municipality.

BSN has already agreed to buy another Perrier brand, Volvic, from the Swiss group, a deal which cannot go ahead until Nestlé disposes of the other Perrier assets earmarked for sale.

French economy stagnant

The first quarter of this year will show no growth in the French economy, the Insee government statistics office predicted yesterday, confirming the grim backdrop to the ruling Socialist's fate in this month's parliamentary elections, writes David Buchanan in Paris.

Insee also forecast "no significant growth" in the first six months of this year. Companies' expectations remain very unfavourable, it said, because they saw no early improvement in demand on their main European markets and were still revising downwards their investment plans.

Output fell 0.5 per cent in the last quarter of 1992. Car sales fell 21.5 per cent last month from the January level.

Rühe wants brake on EFA development

By Quentin Peel in Bonn

MR VOLKER RÜHE, German defence minister, yesterday called for more drastic measures to slow down the development programme of the European Fighter Aircraft (EFA), accusing the aerospace industry of inflexibility in negotiating savings.

He announced new measures to submit all spending on the project, jointly carried out with Britain, Italy and Spain, to a new financial control group in his ministry, saying that plans had previously not been controlled closely enough.

At the same time he admitted he no longer had adequate funds in his budget to maintain spending at the current rate on the development programme, and called for the timetable to be extended by two years.

The four aerospace contractors have submitted their proposals on reducing the costs of the fighter aircraft, and

stretching out the production programme, in line with a deal agreed by the defence ministers last December.

What Mr Rühe now wants, however, appears to be a more drastic slowdown in the immediate future, possibly requiring lay-offs of research and engineering personnel involved in the project.

Mr Rühe was seeking to defend himself in the German parliament against attacks on two fronts: from supporters of the EFA project in his own government, who say he has been irresponsible in axing too much money from the development programme in the current year; and from opponents of the scheme, who maintain that the entire project should have been scrapped.

He was called to give evidence to the Bundestag defence committee, after it became apparent that the DM520m (\$313m) set aside for EFA development in 1993 would run

out, probably by April. The original allocation of DM620m was cut by DM300m in a late round of budget cuts, since when it emerged that another DM180m had to be paid for uncovered spending in 1992.

The DM340m left for EFA in the current budget is estimated to be DM600m short of the likely spending by Deutsche Aerospace, the principal contractor in Germany. The other companies involved are British Aerospace in the UK, Alenia in Italy, and Cass in Spain.

Mr Rühe said the lack of flexibility shown by the aerospace industry, and the expectations for spending which went far beyond the budget approved by the Bundestag, would endanger the future of the project.

He said Germany remained committed to spending DM5.85bn on the entire development phase, but wished to see it extended by two years, from the current end-date of autumn, 1995.

Doubt cast on Bonn's plan for company tax reform

By Quentin Peel in Bonn

PLANS by the German government to overhaul company taxation, to make Germany more competitive, could have the opposite effect, leading economists and tax experts warned yesterday.

Far from encouraging investors to come to the country, it was likely to act as a disincentive, because of sharp cuts proposed in depreciation allowances, they told a parliamentary inquiry in Bonn.

In addition, the new law could contradict the German constitution, by discriminating between income tax payers.

Indeed, rather than have an inadequate tax reform, which is supposed to have no net effect on the government's tax income, the experts suggest that it would be better to have no reform at all.

The embarrassing evidence for the German government, and for Mr Theo Waigel, the finance minister, was presented at a public hearing of the

Bundestag finance committee.

The key element in the plan for a new law on corporate taxation, intended specifically to improve the competitiveness of Germany as an investment location - the so-called Standortsteigerungsgesetz - is a substantial reduction in the marginal rate of corporate taxation from more than 50 per cent to 44 per cent.

Private companies which pay income tax would see the rate come down from 53 to 44 per cent, and public companies paying corporation tax would also be liable for a marginal rate of 44 per cent, instead of the present 50 per cent.

However, the plan is intended to have no net effect on the government's tax revenues - given the current acute budget squeeze to finance spending in east Germany - and the reduction in overall tax rates is to be financed by abolition of depreciation and other allowances.

In a report on the tax reforms published to coincide

with the hearing, the Berlin-based German Institute for Economic Research (DIW) said that "on balance, it will be precisely those companies intending to invest who will be penalised by the tax changes."

"For them the advantages offered by the planned reduction in basic tax rates will frequently be outweighed by the disadvantages resulting from the worsening of depreciation allowances."

A series of leading experts in the field of company taxation backed the argument of the DIW. Professor Joachim Lang, of the Institute for Taxation Law at the University of Cologne, said that "to attempt to improve competitiveness in a way which does not reduce tax revenues is as impossible as trying to square a circle".

DIW calculates that particularly in capital intensive industries, like engineering and the chemical industry, the effect would be negative, while labour-intensive industries like textiles would benefit.



Boris Yeltsin speaks to Ella Pamylova, the Russian social security minister, at a meeting of women from legislative bodies yesterday

ARMY URGES YELTSIN TO END DEADLOCK

THE top command of the Russian army has urged President Boris Yeltsin to take "resolute measures" to end the political deadlock, according to the daily Izvestia, writes John Lloyd in Moscow. The newspaper reported that "during a security council meeting chaired by Mr Yeltsin, military representatives expressed concern on the development of the political crisis and demanded that the president take resolute measures to end it".

The deliberate publicity given to this normally closed discussion highlights the

momentum gathering behind a presidential strike against his encircling opponents in parliament and elsewhere - possibly in the form of a declaration of an emergency, or of presidential rule.

Mr Anatoly Silva, deputy head of the president's legal advisory department, said yesterday the referendum planned for April 11 following an agreement between the president and parliament in December could not now legally be cancelled. A meeting, probably next week, of the Congress of People's Deputies seems

certain to repudiate its earlier agreement. Yesterday, talking to women's groups, Mr Yeltsin warned that Russia could split into warring states unless the opposing sides ended their differences. However, he also asked the groups to use their influence to cool tempers.

● The governor of Ukraine's central bank announced yesterday that on March 18 he will raise Ukraine's discount rate to 180 per cent as part of the government's drive to stabilise the Ukrainian economy, writes Christa Freeland in Kiev.

Hurd backs UN chief on Yugoslavia

By Michael Littlejohns in New York and Lionel Barber in Brussels

MR Douglas Hurd, UK foreign secretary, yesterday endorsed the view of Mr Boutros Boutros Ghali, the UN secretary-general, that United Nations troops may have to use force to implement an agreement in former Yugoslavia.

However, Mr Hurd emphasised that it would be impossible to impose a military solution in the absence of a negotiated settlement endorsed by all the warring parties.

During his one-day visit to New York, Mr Hurd discussed the Balkans crisis with Mr Boutros Ghali and the UN and European Community media-

tors trying to complete a peace settlement.

The question, said Mr Hurd, was how to implement an accord based on the proposals of the two mediators, Mr Cyrus Vance and Lord Owen, "after that agreement had been reached".

The ideas that were taking shape after last Friday's Nato meeting were still a long way from "receiving detailed definition", he added. Asked if the new outbreak of fighting in Bosnia was a serious setback for the peacekeeping process, Mr Hurd acknowledged that it was damaging but it only made the peace talks even more essential.

Mr Hurd welcomed yesterday's US call for an emergency session of the Security Council.

The council scheduled closed-door consultations last night that were expected to be followed by a statement aimed at halting the carnage in Bosnia.

Meanwhile, in a speech in Antwerp yesterday, Mr Hans van den Broek, EC commissioner responsible for external relations, raised the prospect of the European Community, the US and Russia using joint military force to bring an end to the conflict.

Mr Van den Broek, formerly Dutch foreign minister, said the Yugoslav crisis had entered a crucial phase. Military intervention might be necessary to uphold a political settlement based on the Vance-Owen plan, or to impose a solution from the outside. "In

both scenarios Europe will face painful choices as to its military intervention," said Mr Van den Broek.

"I believe that only a united front by the US, the European Community and Russia offers a chance of forcing the warring parties to make peace."

EC diplomats reacted cautiously to Mr Van den Broek's suggestion, pointing out that such decisions lay with member states, rather than the European Commission. A UK diplomat said Mr Van den Broek, a long-time hawk on Yugoslavia, was on "dangerous ground" if he was threatening to impose an outside settlement. More than 50,000 troops might be needed to broker and enforce a truce.

Frankfurt draws a veil over extreme right

Local elections in the state of Hesse will test support for Republicans, writes Christopher Parkes

FRANKFURT has been divided up in preparation for local elections in the state of Hesse this Sunday. The city authorities have cleared "Needle Park" in the banking quarter of drug dealers and their clientele. The homeless have been shifted out of the main station's shopping galleries.

Unofficial action has ensured that other unsightly elements - the extreme right - have hardly shown their face. Election meetings on behalf of the

Republicans and German People's Union (DPU) have been confined by public pressure to backrooms in down-at-heel pubs. Over signs of their activities - posters installed nightly on lamp posts three metres above the streets - disappear before dawn.

But the result of the vote for 21 district presidencies and 426 local councils, the only scheduled popularity test for Germany's political parties this year before the grand slam sequence of local, state, federal

and European elections in 1994, is likely to be an untidy affair.

In the state overall, the Social Democrats (SPD) are expected to sustain light losses on the 44.5 per cent share of the vote last time in 1989, while Chancellor Kohl's Christian Democrats (CDU) suffer more substantial reductions from their 33.3 per cent.

The Greens seem set to improve on their 7 per cent overall share won in 1989, mainly because disillusion-

ment with the main parties has prompted a drift among voters seeking respectable alternatives.

These apparently do not include the Free Democrats, who have been losing ground and appear from most recent samplings likely to emerge with less than the 4.4 per cent of the Hesse vote they won in 1989.

But most eyes, in Bonn and abroad, will be focused on Frankfurt. As well as being the largest city in the state, it is the most crime-ridden and most cosmopolitan in the country - a quarter of the population is non-German. It is amply qualified as a political proving ground for the far right.

The weekend election will show the extent to which the Republicans and DPU have been able to transmit their "foreigners out" message beyond their meeting rooms, and the extent to which they

may influence the federal elections next year.

Opinion surveys in the city have shown the SPD fading sharply and the CDU gaining on the popular perception that for all their failings in Bonn, the Christian Democrats are better equipped to deal with the main issues in this election: a mostly mundane mix of budget management, housing shortages, traffic bottlenecks and rising crime. At the last count the two main parties were neck and neck with 35 per cent each among those who had decided how to vote. This placed the CDU marginally below its 1989 result and SPD down five percentage points.

Meanwhile, the Greens, the SPD's current coalition partners have gained five points to reach 15 per cent overall. The Republicans, representing the other extreme of the spectrum, seem set to win almost 7 per

cent of the vote - the same as the National Party (NPD), their ideological predecessors, in the 1989 election.

The figures suggest that the recent widespread public condemnation of racist violence, orchestrated candle-lit processions and posters preaching "Tolerance" on every corner have had some effect on the city's collective conscience.

But although the issue of asylum-seekers has slipped down the political agenda and is mentioned by only 6 per cent of voters as an important issue, the more general "foreigner problem" (17 per cent) remains inextricably bound up in local minds with crime (27 per cent).

The final judgment must wait until all the votes have been counted, including those of the 17 per cent of Frankfurters who say they have yet to decide which way to vote.

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Danish row over Maastricht No vote warning

By Hilary Barnes
in Copenhagen

DENMARK would face a serious fall in living standards if the electorate voted No to the Maastricht treaty in the country's second referendum, on May 18, according to a report by the Ministry of Finance.

The report's conclusions were promptly denounced by Mr Kai Lomberg, a representative of the main anti-Maastricht organisation, the June Movement, as being based on "outrageous assumptions". But Mr Mogens Lykketoft, the finance minister, said that there was little doubt about the accuracy of the economic predictions outlined in the report.

The report assumes that if there is a second No vote, Denmark will have to leave the European Community and accept the same status as the Efta countries by signing the European Economic Area agreement. This would exclude Denmark from participation in the EC's common agricultural and fisheries policies, force Denmark to leave the European monetary system, and have an adverse effect on foreign direct investment in Denmark.

The impact on agriculture and fisheries would be especially serious. Exports of agricultural and fisheries products, including industrially processed foods, were worth about DKK92bn (\$9.8bn), or 26 per cent of total merchandise exports, in 1992.

Without access to EC markets, or EC subsidies for agricultural exports to third countries, exports of agricultural and fisheries products could be halved, the report claims, resulting in the loss of some 100,000 jobs in agriculture, fisheries and the food processing industries.

When compared with likely developments if Denmark remains a member of the Community, real disposable national income in the short-term would fall by 7-8 per cent and 150,000 jobs - about 5 per cent of total employment - would be lost, the report concludes.

The remaining job losses would arise because Danish interest rates would be higher than in other European countries if Denmark left the EMS and as a result of lower investment by both foreign and domestic companies. Initially, however, the country's balance of payments, which is in substantial surplus at the moment, would not be seriously affected, as imports would fall even faster than exports, the report predicts.

The Danish central bank reduced its key money market interest rate, the repo rate, by a half point from 12.5 to 12 per cent yesterday. The step follows the easing of speculative pressure on the Danish krone in February, when the official discount rate was raised from 9.5 to 11.5 per cent. The discount rate was reduced to 10.5 per cent on February 22. The central bank used DKK16bn to support the krone in February.



UK premier John Major with Polish counterpart Hanna Suchocka at Downing Street yesterday

UK grants for Polish banks

By Robert Mauthner,
Diplomatic Editor

BRITAIN has agreed that its grants to the Polish stabilisation fund, amounting to \$100m, should be used to recapitalise the Polish banking system, Mr John Major, the British prime minister, said yesterday.

The Polish stabilisation fund was set up in 1989, with a total capital of \$1bn, from donations and loans from western countries. Its primary objective was to support the convertibility of the zloty, but it has never been

called upon.

Mr Major, who was speaking after talks in London with Ms Hanna Suchocka, the Polish prime minister, also said that Britain continued to back wholeheartedly Poland's eventual membership of the European Community. It would, however, take a number of years for the Polish economy to become sufficiently efficient to face the full blast of competition from the EC members.

Ms Suchocka said she had had a sympathetic hearing from Mr Major for her request

that Poland should be upgraded as a recipient of British export credits. At the moment cover is available from the Export Credit Guarantee Department (ECGD) for short-term export credits. But Poland, which feels that it should no longer be classified as a high risk country, would also like to be able to benefit from medium- and long-term export credits.

Mr Major said an answer would be given after further talks in the club of creditor nations.

Fiat bruised at crucial time

Arrests have added to the group's problems, writes Robert Graham

F IAT, the flag bearer of the Italian industry, has begun a delicate damage limitation exercise to offset the impact on the group of the continued imprisonment of Mr Francesco Paolo Mattioli, its chief financial officer.

Mr Mattioli has been held in a Milan jail since February 22 when he was arrested with Mr Antonio Mosconi, chief executive of Toro, Fiat's insurance arm, for alleged illicit funding of political parties. They are being detained in connection with their previous roles on the board of Cogefar-Impresit, the Turin-based group's construction company.

Last May Mr Enzo Papi, then Cogefar-Impresit's managing director, was imprisoned for 55 days by Milan magistrates and only released after confessing to the payment of a L1.8bn (\$1.1m) bribe for a Milan metro contract. Mr Papi, who resigned from Cogefar-Impresit, has been questioned again in recent days.

Fiat management on Tuesday declared the group's full solidarity for the two imprisoned executives and called for their fate to be clarified as quickly as possible. It said it was concerned that "this judicial affair, because of the resort to preventive detention and uncontrolled dissemination of restricted information before any sentence, affects the

reputation of these people and the image of the company at a moment when it is directing all its energies to provide jobs and be competitive".

Whatever the outcome of the arrests, Fiat has been bruised at a crucial time. Mr Giuseppe Turani, Italy's best known writer on corporate affairs, commented after the arrests: "Fiat has been hit by Milan magistrates at perhaps the most delicate moment in its history, or at least during that period which began almost 30 years ago when the 'Avvocato' (Giovanni Agnelli) became president."

The Fiat group, with its core business in the automotive sector, is confronted by three vital challenges: to produce successful new models; to forge new international alliances; and to produce an effective management structure to cope with the departure next year of Mr Agnelli.

The challenges have already increased because of the downturn in Fiat's main markets and Mr Agnelli's forecasts of a bleak 1993. On top of this, the group can scarcely afford damage to its reputation or instability in Italy, which accounts for 44 per cent of car sales, nor lose the services of Mr Mattioli.

Mr Mattioli, aged 52, has been with Fiat since 1975 and has worked closely with Mr

Cesare Romiti, the group's chief executive. Last November he was promoted in a management shake-up designed to prepare the way for the departure of Mr Agnelli who has said he intends to step down in June next year. He is to be succeeded by his brother Mr Umberto Agnelli.

The management structure was slimmed down and split in effect into two broad sectors - industry and industrial development under Mr Giorgio Garuzzo and financial control and resource management under Mr Mattioli.

Mr Garuzzo and Mr Mattioli reported to Mr Romiti who has also hinted he will step down at about the same time as Mr Agnelli. In Turin Mr Garuzzo and Mr Mattioli were both tipped as possible successors to Mr Romiti.

In any event Mr Mattioli has had the task of managing resources against declining profits (forecast for 1992 at half the L1,609bn of 1991) and the need to find resources to fund investment of L47,000bn during the rest of the decade.

The prospect of Fiat raising cash by selling some of its non-core activities such as Rinascente, the stores group, or even Toro insurance and the Cogefar-Impresit, has helped push Fiat shares up steeply since

the beginning of the year. Also fuelling the rise have been rumours of talks about a new alliance on the car side. Last week Mr Agnelli specifically ruled out the Japanese but was silent about the possibility of a European partner.

The Milan bourse rumour mill says the price is being talked up to make Fiat shares more attractive for an alliance. A tie-up with Renault is mentioned. Renault has denied this as it already has its hands full with Volvo, and Fiat says an alliance now when it is investing so heavily in new models makes no sense.

But the shares are still rising - despite the impact of the arrests. This suggests foreign institutional buying of the shares in the belief Fiat will benefit from devaluation and from its new models due when, as it is hoped, the market picks up next year.

Fiat will need luck and good management.

The Italian business community is watching closely how long Mr Mattioli is kept in jail and whether he can emerge unscathed.

As Mr Agnelli put it last week: "Being caught up with the magistrature is always worrying: it's a bit like being on the operating table - one hopes it will all go well but there is always a risk."

Italian balance of payments figures worsen

ITALY'S overall balance of payments in January registered a deficit of L765bn (\$496m), compared with a L666bn deficit during the same period in 1992, writes Robert Graham.

The deficit reflected move-

ment in the current account which was in the red to the tune of L5,169bn. In contrast, capital movements registered a surplus of L4,803bn. This was largely due to an upsurge of foreign investment totalling L8,163bn. Portfolio investment

accounted for L5,497bn, compared with a mere L47bn in January 1992.

These inflows were only partially offset by L2,736bn of Italian capital going abroad. Significantly the latter outflows were down on the same period

in 1992 when they totalled L7,535bn.

The country's foreign currency reserves stood at L37,966bn at the end of January, compared with last September's low of L30,801bn during the currency crisis.

Romanians clear the way to boost foreign investment

THE Romanian chamber of deputies has amended the foreign investment law to allow foreign companies to own property in Romania and repatriate all profits, writes Virginia Marsh in Bucharest.

The bill must be approved by the Senate before becoming law but is expected to pass without difficulty, the Romanian Development Agency (RDA), the state body responsible for foreign investment, said yesterday.

The amendment allows foreign investors to own property in Romania through joint venture companies or through locally registered subsidiaries. Existing legislation says Romanian economic agents may own real estate but does not specify that this includes foreign investors participating in local companies.

Confusion has arisen because the country's constitution forbids ownership of real estate by foreigners.

Mr Florin Bonciu, the RDA's director general, said the amendment would bring Romanian foreign investment regulations in line with those in other eastern European countries. He expected the bill would

boost investment in Romania especially from medium-sized companies.

Most of the \$600m which has been invested in Romania to date had come from small companies with no need to own property, or from large companies such as Coca-Cola which are prepared to set up factories in spite of the ambiguous legislation, he said.

Medium-sized companies did not have the resources to take such risks.

The amendment allowing 100 per cent repatriation of profits made in both hard currency and in lei, the national currency, is not expected to make as big an impact on investors in the short term.

Romania's acute hard currency shortages make it difficult in practical terms for companies to change lei into convertible currencies.

Serbian harbour workers have ended an eight-day blockade of the River Danube, the Romanian Foreign Ministry said yesterday.

Trades unions in the Serb port of Prahovo, protesting against UN sanctions, had prevented international river traffic from reaching the Black Sea since last Tuesday.

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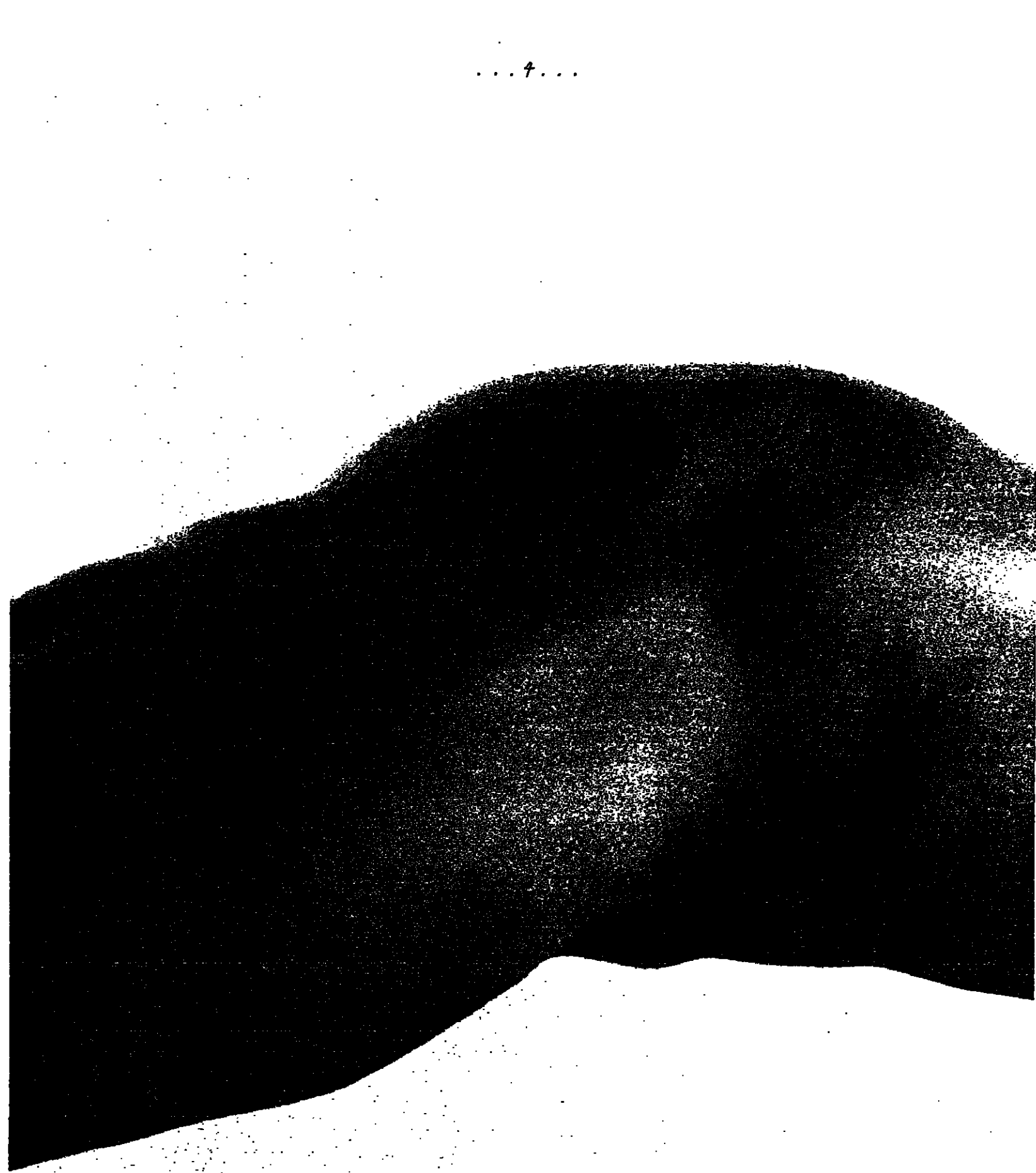
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NEWS: INTERNATIONAL

Budget buoys Hong Kong stock market

By Simon Holberton
in Hong Kong

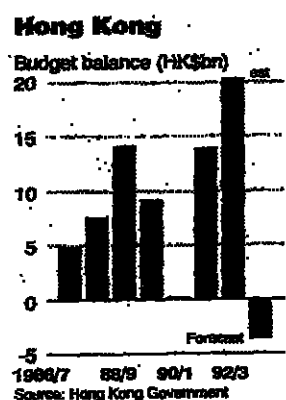
STEEP cuts in taxation and higher spending on social programmes and public works were provided for in the annual budget presented by the Hong Kong government yesterday.

Mr Hamish Macleod, the colony's financial secretary, said Hong Kong's gross domestic product, adjusted for inflation, would rise this year by 5.5 per cent compared with 5 per cent last year. Inflation is expected to hover just below 10 per cent.

His budget cheered the stock market which ended the day 11 points away from its all-time high of 6,447, reached on November 12 last year. The market was also encouraged by signs that Britain and China were edging closer to an agreement to talk about Hong Kong's political development.

Yesterday Governor Chris Patten announced that he would delay a visit to Japan so he could make a statement on the state of Anglo-Chinese talks about Hong Kong.

Mr Patten will address the Legislative Council, LegCo, the colony's law making body, tomorrow where he also is expected to explain why the government has delayed publishing legislation that would give effect to his proposals for



Source: Hong Kong Government

wider democracy in the colony. Mr Macleod described his budget as one which "built on success". He confidently forecast that Hong Kong would overtake Britain and Australia in terms of income per head this year and praised local businessmen for their ability to look "beyond present political controversies" to the colony's long-term prospects.

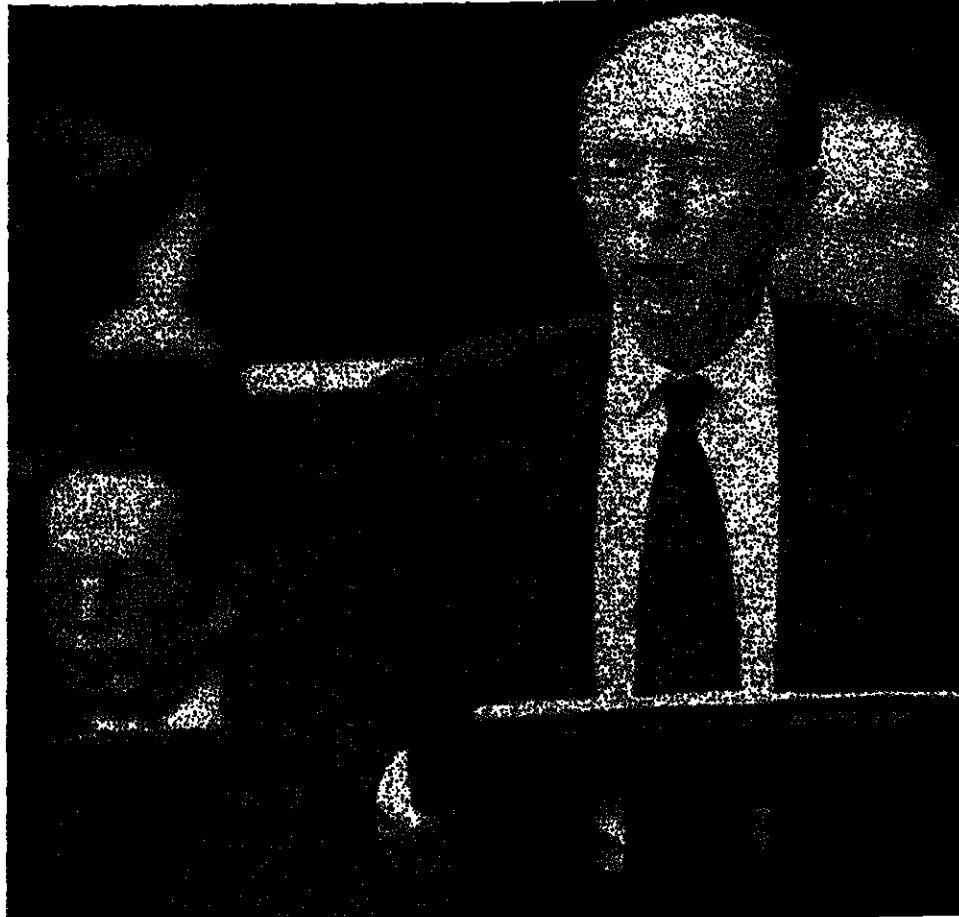
His budget was, however, unashamedly populist and designed to ensure a smooth passage through LegCo. More money was allocated for social security, housing, health and education. Tax allowances were over-indexed by twice the rate of inflation and the threshold at which income tax becomes payable was raised.



Chris Patten appears optimistic over Anglo-Chinese talks

Mr Macleod left the corporate tax rate unchanged at 17.5 per cent. He cut the rate of stamp duty on stock market transactions to 0.3 per cent from 0.4 per cent - at a cost of HK\$200m (\$27m) to the revenue. He said that he would look sympathetically on further reductions in stamp duty. He also decided to bring forward a big roads programme. Tomorrow it will call for

expressions of interest from the private sector to build a road linking Hong Kong's container port with the city of Shenzhen, which lies on the colony's northern border. This project involves the construction of a bridge and tunnel and would, by 1997, provide a direct road link from China's most productive regional economy to Hong Kong's modern port. Mr



Hamish Macleod, Hong Kong's financial secretary, presents his budget yesterday

Macleod earmarked HK\$4bn for the government's contribution to the project.

The combined effect of these and other measures is forecast to produce a budget deficit of nearly HK\$3.6bn for the 1993/94 fiscal year - the first deficit the Hong Kong government has forecast since the mid-1980s - and compares with an estimated budget surplus of HK\$20.5bn for 1992/93.

This was up from an initial forecast of just HK\$7.5bn made a year ago. A combination of buoyant tax receipts and under spending by the Hong Kong government on public works were equally responsible for the higher surplus.

In his medium-term outlook for the government's finances, Mr Macleod forecast continued budget deficits. These were due primarily to the building of a

new airport and associated projects which, if completed on schedule, would be income producing by the time China resumed sovereignty of Hong Kong, he said.

According to the projection, by 1997 the Hong Kong government's accumulated budget surplus should be more than HK\$78bn - well ahead of the HK\$25bn which Britain has agreed with China.

S Korea may free interest rates

By John Burton in Seoul

SOUTH Korea's new government yesterday indicated it might deregulate a large portion of interest rates this month in a key step toward financial reform. The action would fulfil a promise by the previous administration that the latest phase of interest rate deregulation would occur in the first half of this year.

The government's tight control of lending and deposit rates has been blamed for distorting credit allocation and causing market interest rates to be higher than those of South Korea's main Asian competitors.

Seoul agreed in 1991 to deregulate interest rates in four stages by 1997 in response to US trade pressure that it open up its financial market. The second phase to be implemented this year would free 75 per cent of bank lending rates and 30 per cent of deposit rates.

It would also completely liberalise lending rates among other financial institutions, such as short-term finance companies and insurance companies, and deregulate 65 per cent of their deposit rates. But officials have hesitated to free rates because they fear it would cause painful adjustments to the financial system, including a temporary jump in interest rates.

A similar attempt at deregulation in 1988 caused interest rates to rise sharply as borrowing expanded to finance property speculation. "The government scrapped the reform and put strict limits on property transactions."

Mr Hong Jae-hyung, finance minister, said yesterday the fall in market interest rates since last autumn had improved prospects for deregulation to be managed without significant disruption. Market rates now stand at 11 per cent against a peak 19 per cent early last year. A cut in the central bank's key lending rates in January helped push down market rates.

One concern is that corporate demand for loans usually rises in the spring as companies increase spending on facilities and equipment. The government wants to encourage corporate investment spending this year to help revive the economy, which grew by some 4.5 per cent last year, the lowest rate since 1980.

The finance minister also said yesterday that a schedule to introduce a "real name" financial transactions system, promised since 1981, would be unveiled by May. Financial accounts can at present be held under pseudonyms and have been used to hide money generated by Korea's underground economy. Introduction of "real name" accounts would help fight corruption, a move that is in line with the aims of President Kim Young-sam.

Share prices on the Seoul exchange have fallen recently, because of fears the "real name" system would drain liquidity from the market.

Westinghouse to face trial in US

By Jose Gansang in Manila

PHILIPPINE negotiations with Westinghouse Electric of the US for an out-of-court settlement on a bribery charge in the construction of a nuclear power plant have collapsed, paving the way for a trial at a US court.

Philippine negotiators yesterday said they "did not believe" that the latest Westinghouse proposal for a settlement "would provide substantial benefit to the country". They declined to divulge details.

The trial is set to start on March 15 at the New Jersey federal court and could take about two months.

The case was filed in December 1988 by the Philippine government and the state-run National Power Corporation (Napocor), owner of the nuclear plant, which alleged that Westinghouse and Burns and Roe, a US consultant to Westinghouse, had in 1973 bribed the late President Ferdinand Marcos, to win the contract.

The 620MW plant was constructed on the Bataan Peninsula, 60km north-west of Manila, at a cost of \$2.1bn.

Mr Marcos was ousted in a popular uprising in 1986 and the government of Mrs Corason Aquino mothballed the

plant and initiated the court suit.

The Philippine government alleged that Westinghouse and Burns and Roe illegally obtained their contracts by bribing Mr Marcos through Mr Hermilio Disiani, a Marcos relative.

The government had also claimed that the plant was unsafe and inoperable because of allegedly defective design, construction and testing. It is seeking \$26.5m (\$18m) in actual damages and an unspecified amount for punitive damages.

On the eve of the original trial in March 1982, the two sides came up with a provisional out-of-court settlement that involved Westinghouse payments to the Philippines of \$100m in cash and cash equivalent to repair and upgrade the plant to current safety standards.

In return, Westinghouse was supposed to be granted a licence to operate the plant for 30 years, selling electricity to Napocor at a pre-set price.

Subsequent negotiations, however, failed to resolve the price at which the output from the Bataan plant will be purchased by Napocor, according to Manila officials.

The freeze on the nuclear plant had left the Philippines with a severe shortage of electricity-generating capacity.

Egypt to end foreign banks' currency curb

By Mark Nicholson in Cairo

EGYPT is to remove curbs barring foreign banks from operating in local currency, in a move the government hopes will attract substantial new investment.

The measures, approved at a meeting earlier this week attended by President Hosni Mubarak and the country's top economic policymakers, will allow the 22 foreign bank branches in Egypt to take deposits and make loans in

Egyptian pounds without requiring changes in the branches' shareholding structure or legal status.

In practice, the decision would considerably open Egypt's banking market. "Foreign banks will be able to enter Egypt without any restriction whatsoever," one senior local banker said. Mr Atef Obied, cabinet affairs minister, said the move aimed to encourage foreign banks to "make bold decisions to invest and extend credits".

A proposed amendment to Egypt's banking law will be put to parliament for ratification next week. Approval is considered a formality.

Foreign banks in Cairo welcomed the move, suggesting it could herald considerable expansion into the domestic retail market by such banks as Citibank, American Express Bank, Chemical Bank, Bank of Nova Scotia, Credit Suisse and Arab Bank. "Basically, the move opens up a totally new market," one US banker said.

The measure has been resisted strongly by some of Egypt's larger and more conservative banks. The banking law had previously held that foreign banks with branches in Egypt should have local partners to be allowed to operate in local currency.

However, some local bankers welcomed the move, saying it would jolt Egypt's banks into greater efficiency. "I welcome foreign competition, provided the central bank has the capacity to control and monitor the

expanded activities," Mr Hazem Beblawi, chairman of the Export Development Bank of Egypt, said.

The decision to liberalise the banking market comes amid steps to boost growth and impress the IMF and World Bank with Egypt's resolve to expand the private sector. Last week the bank signed a memorandum of understanding unfreezing a \$150m structural adjustment loan, after approving Cairo's plans to speed privatisation of its public sector.

Afghan rivals agree deal to share power

AFGHANISTAN'S two main warring rivals have agreed on a peace formula that should allow the arch enemies to share power in Kabul, officials said, Reuters reports from Islamabad.

Under the draft accord, reached in Islamabad and yet to be agreed by the other main mujahideen parties, President Burhanuddin Rabbani remains in power for several months, while Mr Gulbuddin Hekmatyar, chief of the hardline Hezb-i-Islami party, becomes prime minister.

"Engineer Hekmatyar is ready to take up the post of prime minister and if there are no objections by the other

Iranian oil wells bombed

IRANIAN security officials are investigating bomb explosions at oil facilities in south-west Iran, Tehran's Salama newspaper yesterday quoted national police chief General Reza Seifollahi as saying, Reuters reports from Nicosia.

It was the first official confirmation of sabotage in oil wells reported last month. "The intelligence ministry is following the case of bombings in Khuzestan oil installations which occurred over the past month," Gen Seifollahi was quoted as saying.

Bombs were said to have exploded at three operating wells near Ahvaz, capital of the main oil-producing province of Khuzestan, 540km south-west of Tehran.

Taiwan and UK to establish air links

TAIWAN and Britain will establish direct air links on March 29 in a move expected to benefit trade and tourism, airline officials said yesterday, Reuters reports from Taipei.

Aircraft flying the route will not carry flags or national insignia because of political sensitivities. Britain does not have formal diplomatic ties with Taipei and instead recognises China, which claims sovereignty over Taiwan.

British Asia Airways, a subsidiary of British Airways, will make two round trips a week between Taipei and London, with a stopover in Hong Kong, Mr Winston Hsieh, the

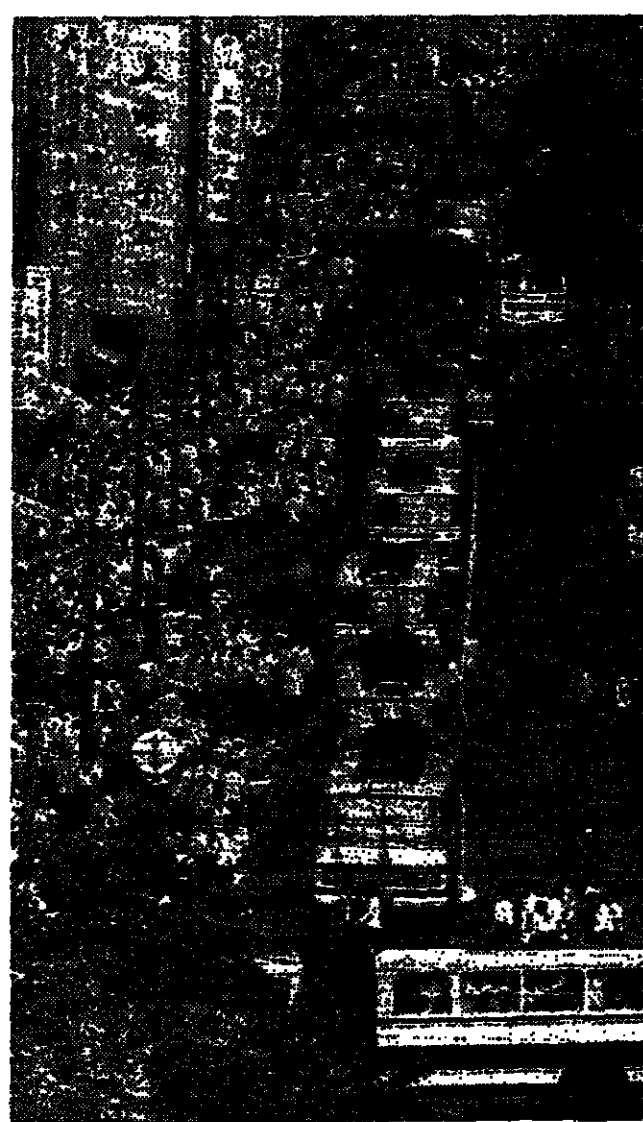
airline's Taipei manager, said. Eva Airways, Taiwan's second international airline and part of the Evergreen shipping group, said it would make three trips a week with stopovers in Bangkok and Vienna.

Taiwan has struggled to set up direct air links with other countries because of its rivalry with China. The island's growing economic power has helped it establish services with several nations in the past two years.

Taiwanese made about 50,000 trips to Britain last year, up from 35,000 the previous year. Britain's representative office in Taiwan said.

What's good for Shanghai is good for China

Zhang Tingting on the role of a city that provides a sixth of the country's budget revenues



Shanghai: so interwoven is it with the rest of the country that almost every move it makes affects the national economy

SHANGHAI has long been regarded as the engine of growth for China's economy. But as the country has experimented with market policies, the city's massive state-run industries have held back its growth.

Shanghai is pinning its hopes for renewed growth on projects such as Pudong, a planned industrial estate the size of Shanghai itself.

The city remains the largest contributor to national budget revenues, providing a sixth of the total - 10 times the amount contributed by fast-developing Guangdong province. But it has lost its position as the largest regional economy to Jiangsu province.

Shanghai has long embraced reform - its previous mayor was Zhu Rongji, now leading the national economic reform programme as vice-premier - but the preponderance of large state-run industries, with outdated products, excess labour and lack of management autonomy, has produced huge challenges.

By contrast, industry in Guangdong province, where the "open-door" policies were first introduced with the creation of special economic zones, has been able to grow from a small base on greenfield sites and has employed what was previously a mainly rural population.

Shanghai is China's industrial centre. It is so interwoven with other parts of the country that almost every move it makes to reform affects the national economy not least because its industries rely heavily on energy and raw materials from other provinces. The initial impact of the transition to a market economy was to divert from them at least 60 per cent

of the energy and raw materials which had been provided under central planning.

In 1988, the city found itself with only a few days' coal reserves. The government, which had previously fixed all coal prices, had begun to free them. The immediate result, however, was chaos in supplies. The partial liberalisation made it hard for Shanghai to find fuel for its industries in competition with manufacturing enterprises throughout China, including those not run directly by the state, which queued up to bid for a share.

Meanwhile, the local state-run textile industry, the biggest hard currency earner, was on the verge of bankruptcy because of new competition from township enterprises in neighbouring Jiangsu and Zhejiang provinces.

Township enterprises, which mushroomed in the mid-1980s as a result of market reforms, usually outperform their state-run counterparts because they have advantages in flexibility of pricing, distribution and the right to hire and fire.

Shanghai's 940 large- and medium-sized state-run enterprises, by contrast, have had little impetus to grow because of old-fashioned inefficient management with no answers to the intense competition.

However, the development of Pudong, a 350sq km area - larger than China's four special economic zones together - offers the chance to renew Shanghai's industrial base. The project is expected to take 30 to 50 years and to cost at least \$10bn (\$7bn).

Premier Li Peng has called the Pudong project "the focus of China's efforts to attract foreign investment

CHINA'S state-dominated industrial sector last year registered losses of about \$76bn (\$53bn), much the same as the year before, according to the State Statistical Bureau, Tony Walker reports from Beijing.

The military, tobacco, coal-mining and petroleum sectors accounted for the biggest losses. These sectors tend to be most heavily burdened by rigid pricing policies and by overmanaging.

Faltering state-owned enterprises accounted for 80 per cent of losses in industry, with the light manufacturing sector hardest hit, the statistical bureau reported.

Heavy industry fared slightly better in the current decade.

Of three special zones within the area, one - Waigaoqiao - allows foreign investors to re-export for the first time since the communists took power in 1949. C. Itoh, the Japanese trading house, was the first to set up there. The other zones are for export processing and financial services.

To finance the development, Beijing will help Shanghai raise 4bn yuan (\$475m) a year through Pudong construction bonds. It will also sell shares in state-run companies on domestic and overseas markets, provide state funding and low-interest loans, and try to revive state-run enterprises by various means including granting them the right to import and export.

According to Shanghai Mayor Huang Ju, the 45.5bn yuan needed in the first five years of development (1991-1995) has been secured and is being spent on capital infrastructure projects such as bridges, roads, telecommunications facilities as well as

water, power and gas plants. To attract investors, the mayor pledged not to change for three years the low 1991 price of land leases. He promised to complete major capital construction projects by 1995 and to cut down red tape.

While most western investors waver, domestic investors have been eager. Anhui province, one of China's leading rural provinces, has committed 1bn yuan to a capital project to get a firm foothold in Pudong.

However much Pudong is being used as a market laboratory to revitalise Shanghai, the city will continue to face problems. The authorities are concerned that higher salaries and better social protection in Pudong will create a completely different system from that in the rest of Shanghai. They fear that social and economic stability may be disturbed by a "one city, two systems" approach.

State-run enterprises have been converting enthusiastically to the shareholding system, but the legal

and accounting framework is inadequate to accommodate the rapid changes.

However, reform is progressing quickly. Mayor Huang has said that, in addition to the national price reform, a free market for grain and edible oil introduced last year, Shanghai would co-operate with neighbouring provinces to free prices of some industrial products such as energy and raw materials. Prices for more than 80 per cent of industrial products in Shanghai are now determined by demand and supply.

Local government officials say the idea behind these localised reforms is to attract investment and trade from all parts of the country with a free market, enhancing Shanghai's position as China's leading trading centre. It already has a stock exchange and commodities markets. National trade centres for non-staple food and non-ferrous metals were set up in Shanghai last year.

Contracts have also been signed for China's first retail joint venture with a foreign investor, involving the Shanghai No 1 Department Store and Yaohan International of Japan.

Deng Xiaoping, the 88-year-old paramount leader who is the architect of the economic reforms, has said that he regretted not having granted Shanghai the status of special economic zone, as he did to Shenzhen in Guangdong province 10 years ago, "or Shanghai would have been playing a greater role in the national economy". Yet he believes Pudong will overtake Shenzhen in vitality and contribution to the country's economic future.

Zhang Tingting is a Shanghai correspondent of China Daily

هكذا من الناحية

Furore over finance for Mexico party

By Damian Fraser
in Mexico City

MEXICO'S ruling Institutional Revolutionary party (PRI) celebrates its 64th anniversary in power today, embroiled in a growing furore over its financing.

The controversy has arisen over claims, first reported in *El Economista* newspaper, that about 30 of the country's richest businessmen had promised to give the PRI about \$25m (\$17.5m) each to strengthen the party's finances before the presidential election next year.

The pledges are reported to have been made at a dinner party last week in the house of Mr Antonio Ortiz Mena, former finance minister, which was attended by President Carlos Salinas. Mr Ortiz Mena this week said of the meeting: "There were people who said their group could give more, and others who said they could give less."

He stressed that the money pledged would go to a trust fund that would enable the PRI to stay independent of the government. The businessmen pledged to give on a large scale because the PRI offered the best guarantee of their investments, he said. Other groups, including labour unions, would also be contributing to the trust fund.

President Salinas last year promised to make the party's finances more transparent, and to put caps on campaign spending. The party finance reform,

still to be debated by Congress, is meant to address the huge financial advantages the PRI has enjoyed over Mexico's impoverished opposition parties, and thus prepare the way for more open, competitive elections.

Mr Porfirio Muñoz Ledo, a leader of the opposition Party of Democratic Revolution, said of the donations: "This does nothing but lay bare the obvious - the oligarchic nature of the party and its collusion with the country's great fortunes."

The list of guests at the dinner party reads like a who's who of Mexican business. Among those present were Mr Emilio Azcárraga, the president of Televisa, Mexico's near-monopoly television station; Mr Carlos Slim, president of Telefonos de México, the recently privatised telephone monopoly; Mr Roberto Hernández, president of Banamex, Mexico's largest, and recently privatised, bank; Mr Lorenzo Zambrano, head of Cemex, the huge cement company; Mr Bernardo Garza Sada from Alfa, the conglomerate; and Mr Adrian Sada from Vitro, the monopoly glass company.

Don Fidel Velázquez, Mexico's nonagenarian labour leader, showed irritation with suggestions that the PRI was abandoning the labour sector by soliciting money from the business sector. He said \$25m did not appear to be a very large sum, and that he was willing to give the party even more.

Trinidad strike planned in bid to save state jobs

By Canute James in Kingston

TRADE UNIONS in Trinidad and Tobago are hoping a planned general strike will force the embattled government to cancel the sacking of thousands of workers from three state-owned utilities.

The strike will compound the problems of Mr Patrick Manning, the prime minister, in keeping the struggling oil-based economy from foundering. The date for the strike is being kept secret by the unions, apparently in the hope that continuing negotiations with the government will produce an acceptable agreement.

"We are not going to indicate any date," said Mr Errol McLeod, president of the National Trade Union Centre, an umbrella for organised labour. "We wish only to announce that a general strike is very much in the offing if there is no softening of the government's position and if there is no adjustment to their economic programme, some of the effects of which we have already begun to witness."

Thousands of government workers protested in the streets last month after Mr

Wendell Motley, the finance minister, said extensive retrenchment in the public sector was inevitable. About 3,000 workers are to be sacked.

Mr Motley said the cuts at the Public Transport Corporation, the Port Authority and the Water and Sewerage Authority were unavoidable because of their huge payrolls, falling international oil prices which were affecting the domestic economy, and a heavy foreign debt obligations.

The government has indicated that it cannot continue financing the deficits of the three companies while meeting overdue payments to government employees and servicing the country's foreign debt.

Mr Motley said the cumulative loss by the three companies last year was TT\$342m (\$90m). The government is also under pressure to pay TT\$3bn in arrears to its workers. The country's domestic debt has increased by 62 per cent in the last five years to TT\$5.2bn, while the country's foreign debt is TT\$5.5bn. The government has to pay TT\$2.5bn this year in servicing its foreign debt.

Canadian banks drop prime rate

By Bernard Simon in Toronto

CANADIAN banks have dropped their prime lending rate by a quarter point to 6.25 per cent in response to big capital inflows and an accommodating monetary policy.

The new level, which matches the lowest seen in the past 20 years, takes effect today and has been accompanied by a sharp rise in the Canadian dollar. The currency climbed above 80 US cents this week for the first time since last November, and advanced yesterday morning to 80.35 US cents, despite the prime cut.

The Bank of Canada said yesterday that intervention to contain the rise of the currency resulted in a net increase of US\$600m in its foreign-currency reserves in February.

Nervousness in the financial markets about Canada's economic and political prospects was evident at the time of last

autumn's referendum on a new constitution. Then, banks pushed their prime rate as high as 9.75 per cent. However, investors have since been drawn by attractive yields on Canadian securities and a perception that the country's problems may be less severe than those of many other industrial nations. Canadian borrowers have been among this year's most active Euromarkets participants.

Economists expect the prime rate to fall to at least 6 per cent and perhaps lower. But they caution that markets could be unsettled in coming months.

The spring federal and provincial budget season is likely to see unexpectedly large budget deficits, which are widely recognised as Canada's most pressing economic problem. In addition, political uncertainty may rise again during the run-up to the general election, expected in the autumn.

Venezuelan reform pledge

VENEZUELA'S President, Carlos Andrés Pérez, speaking from a palace still scarred by a recent coup attempt, said the country's political woes would not turn him into a lame duck in his last months in office and he expected Congress to approve all pending economic reforms, Reuters reports from Caracas.

The president said on Tuesday that tax bills critical to attacking a growing budget

deficit in this oil-rich nation were likely to be approved this month and other reformist legislation would be passed before December general elections.

Mr Pérez, 70, who cannot by law seek re-election, acknowledged that he has felt isolated for scrapping popular subsidies and introducing austerity policies, but he said he was undeterred even by two attempts by rebel troops to topple him last

Senator sound-bites back at the Texan billionaire gadfly over his knowledge of US economy

Perot under attack at congressional hearing

By Jurek Martin, US
Editor, in Washington

DARING to criticise Mr Ross Perot is reckoned to be a risky political business these days. Early on Tuesday evening, however, Senator Harry Reid decided to buck the odds.

The billionaire from Texas, now almost as ubiquitous as he was when running as an independent in the presidential election campaign last year, had invited himself to Capitol Hill to testify (lecture was a more accurate description) before Congress on the inequities of the per-riden legislators and foreign lobbyists who were conspiring to export American jobs worldwide.

Warning to his task and

flanked by a crowd of cheering acolytes, Mr Perot also laid into the Clinton administration, about which he had been relatively kind, accusing it of incompetent mathematics and "sound bite" salesmanship.

His particular beef was that the president's energy policy advisers were a bunch of "poets, philosophers and beekeepers", none of whom had ever "met a payroll" or created a job in all of their working lives.

Mr Reid is the Democratic senator from Nevada. He is not reckoned a great power in Congress but, whereas his peers had alternately taken Mr Perot's punches on the chin and fawned over him, the senator decided that he had had enough.

"Ross, I like you a lot," Mr Reid tactfully began. "But, in your statement here, you gave us 45 minutes of sound bites and five minutes of detail."

Worse, Mr Perot had demeaned Mr Mack McLarty, the White House chief of staff, who was indeed from "corporate America, just like you," and from the energy sector no less.

He then accused Mr Perot of completely misunderstanding the structural nature of the US budget deficit and the caps on federal spending embodied in the 1990 Budget Act.

"I think you should start checking your facts a little more and stop listening to the applause so much," the senator admonished. Encouraged by Mr Reid's res-

olution, several other heavy-weight senators then presumed to suggest that Mr Perot's views were not always infused by knowledge.

Mr Perot does not like being contradicted, especially in front of his flock.

In one widely remarked incident last year, on his favourite morning television show, he had come close to losing his temper with a little old lady from Florida who bravely confessed she had not understood his answer to her question on social security.

This time, before the legislators, he bristled and blustered, and hinted darkly that Mr McLarty's tenure as chief executive of Arka, the natural gas concern, was marked by "problems".

But, in the end, he backed off, said Mr McLarty was "a fine man", and came as close as he ever does to issuing an apology.

"I regret that anything came up where people had to fall on their swords to defend him," the Texan billionaire said.

Mr Perot then retreated, a little bruised but not bowed, to an evening television talk show, where his reception was far more amenable and where he again laid into Congress and everybody else in Washington with his customary verve.

Mr Reid, meanwhile, found himself in the unaccustomed media limelight as the man who had dared to take on Ross Perot.



Perot: likeable but ...

Gore to hunt down waste and fraud in government agencies

By George Graham
in Washington

VICE-PRESIDENT Al Gore is to take charge of a six-month review of every government agency to find ways of cutting waste and fraud. He promised "significant savings" from the review, which he said would

start "a revolution in government right here and now".

President Bill Clinton, announcing the review, said elimination of waste would be "a breath of fresh air for American taxpayers", who would be treated in future as customers by government agencies.

Bureaucratic waste has been

a favourite target for US political candidates, and Mr Clinton promised in his campaign last year to cut 100,000 unnecessary federal government jobs and to achieve 3 per cent administrative savings in every government agency.

The Gore audit is modelled on a state government perfor-

mance review carried out in Texas in 1991. That came up with 975 suggestions on ways to save up to \$4.2bn from a state budget of around \$30bn.

The state legislature adopted \$2.4bn of these savings, helping to fill a budget deficit and avert the introduction of a state income tax for the first

time in Texan history.

Some of the suggested cuts, however, aimed at programmes that were not necessarily unduly wasteful. One idea was to double the cost of tuition at state colleges.

Like the Texas review, the Gore audit will set up a toll-free telephone number to

gather suggestions from the public. It will provide an important task for Mr Gore, who has taken the lead in discussions of the administration's environmental and technology policies but who, like many vice-presidents before him, runs the risk of appearing under-employed.

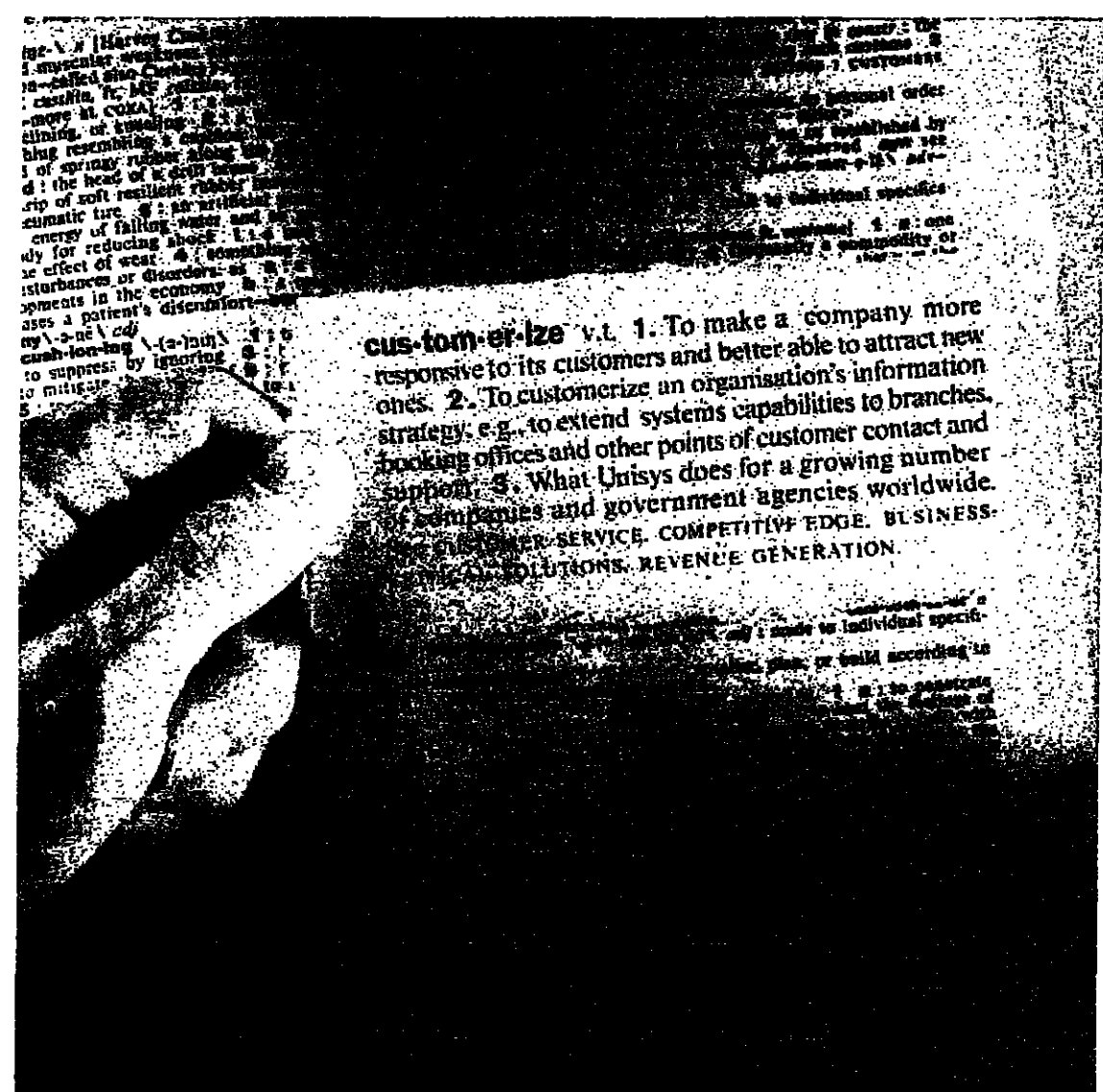
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NEWS: WORLD TRADE

US trade body decides imports are harming domestic industry

Japan rejects liquid crystal display ruling

By Michio Nakamoto in Tokyo and Louise Kehoe in San Francisco

A DECISION by the US International Trade Commission that Japanese-made liquid crystal displays are being dumped in the US has dismayed Japanese authorities and industry. They say they will seek a fair decision.

US computer manufacturers, too, have protested at the ruling.

The ITC ruled on Tuesday that Japanese-made active matrix LCDs "materially injure or threaten injury to the US industry", and decided to retain punitive duties of 62.67 per cent.

An official at Japan's Ministry of International Trade and Industry called the decision "extremely unfair". Japan had claimed that there was no US industry to be hurt by imports of active-matrix LCDs.

Sharp, a leading Japanese manufacturer, released an official statement deeply regretting the ITC's decision which, it said, raised many questions - from the point of view of US users as well. "We will continue to work towards a fair judgment," the company said.

In the US, Apple Computer said the ruling made no sense and vowed to continue the legal battle. "This is an 'Alice in Wonderland' decision. It

defies logic," said Mr Jim Burger, Apple's director of government affairs.

The ruling upholds part of a dumping petition filed in 1990 by the Advanced Display Manufacturers of America and its member companies. That petition led to a ruling by the ITC the following year that Japanese-made LCDs harmed US industry.

However, the ITC ruled at the same time that electroluminescent LCDs were not harming US industry and that it would withdraw anti-dumping tariffs of 7 per cent.

At the time of the original anti-dumping petition, US users of active matrix displays opposed the ITC ruling on the grounds that no US maker could mass-produce active matrix LCD panels.

US users, which are dependent on Japanese manufacturers of these panels, went to the US-based Court of International Trade, which last year ordered the ITC to re-examine the case.

In seeking to reverse the ruling, Japan could resort to an appeal to the Court of International Trade or ask the GATT to set up a panel.

LCD flat panels, which are widely used in laptop and notebook computers and medical equipment, are one of the most promising growth areas in electronics.

Computer company to set up in Ireland

By Tim Coome in Dublin

SUN Microsystems, the California-based manufacturer of computer workstations and peripheral devices run on the Unix operating system, is to set up a new software subsidiary in Ireland.

Called Sunsoft, it will open in Dublin this summer and will eventually employ 200 people, developing and localising software specifically for Sun's systems sold in Europe. That market accounts for some 30 per cent of its worldwide hardware sales.

Sun is a market leader in "open systems" workstations. Demand for these has grown rapidly over the past two years, as the trend by users to "downsize" from mainframes has accelerated.

The development of complex and powerful new software for multimedia applications is seen by the industry as vital to the development of the workstation market.

Sun's move into Ireland has been welcome news for the government, following the announcement last week by Digital Equipment, another US workstation manufacturer, that it is to consolidate its European manufacturing in Scotland, with the loss of 780 jobs in Ireland.

Mr Ruairi Quinn, Ireland's enterprise and employment minister, said the Sun decision "demonstrates clearly that Ireland has the edge when it comes to software development expertise".

White House to back US chip makers

By Louise Kehoe in San Francisco

THE Clinton administration is ready to take a tough stand on the long-running semiconductor trade dispute with Japan, Mr Ronald Brown, commerce secretary, told US semiconductor industry executives visiting Washington this week for their annual caucus.

"When every market in the world, outside Japan, prefers your products, I have to conclude that we are facing unfair trading barriers. We expect Japan to live up to its agreements," Mr Brown told members of the Semiconductor Industry Association, who gave him a standing ovation.

Under a 1991 trade agreement between the US and Japan, the Japanese government recognised US "expectations" that the foreign share of the Japanese semiconductor market should rise to at least 20 per cent by the end of 1992. The pact was an extension of a similar 1985 agreement.

Since 1991, the foreign chip maker's market share in Japan has crept upward, reaching almost 16 per cent in the third quarter of 1992. Data for the fourth and final quarter of the period covered by the agreement is expected in about two weeks.

However, the industry expects the market share figure, upon which Japan's compliance with the market opening agreement is measured, to rise. Strong sales of US-made microprocessors in the growing Japanese personal computer market may boost the fourth quarter figure by more than 1 per cent.

Disputes over how market share should be measured, including whether the internal transfer "sales" of IBM and other US computer companies to their Japanese subsidiaries should be counted in the trade data, might bring the dispute to a head.

This has created a dilemma for the US chip makers, who for the first time in their decade-long trade battle find that they have friends in the White House.

In the past, the SIA has seldom hesitated to raise the spectre of trade sanctions against Japan. Now, however, the industry seems hesitant to push the Clinton administration into applying sanctions that would inevitably be seen as the beginning of a "trade war" with Japan.

There is no question, however, that the industry will demand sanctions if the market share figure falls short of expectations. The industry group already has a list of proposed Japanese import targets. The group was encouraged by Mr Brown's remarks.

"A few years back, unfair trading practices in the Far East almost destroyed the American semiconductor industry. It took harsh action to end Japanese dumping. We must be prepared to act again - in Japan or any other market," Mr Brown said in reference to trade sanctions imposed by President Reagan against Japan in 1986 when Japan was deemed to have failed to live up to the original US-Japan semiconductor deal.

"We expect Japan to live up to its agreements. I will work

closely with you to evaluate their performance against the objectives of our agreements. We want to ensure that the Japanese market is open so that we can achieve a market share commensurate with our worldwide competitive position."

Mr Brown also assured the semiconductor industry group that the Clinton administration will continue to fund Sematech, the semiconductor industry consortium that for the past five years has received half its annual budget from the Pentagon's Defence Advanced Research Projects Agency, over the occasional objections of Bush administration officials, and the remaining half from industry members. Sematech is a model for the Clinton administration's technology policy, Mr Brown said.

ing to full manufacture of the exchange by Intel, the joint venture company.

The deal follows similar moves by Netsa, Northern Telecom of Canada's majority-owned Turkish subsidiary, and Sintel the local Siemens operation. Progress has been spurred by a \$25m (£17.6m) Turkish government aid project to provide digital public exchanges in all five Turkish-speaking former Soviet republics. Teletas installed a 2,500 line exchange in both Tashkent, the Uzbek capital and Bishkek, capital of Kyrgyzstan. Teletas say they hope also to manufacture the Levent, a small rural switching system, designed in the company's Istanbul laboratory.

Irish plan to boost exports

By Tim Coome

THE IRISH government is planning to increase exports from indigenous Irish companies by 50 per cent over the next four years, from £3.7bn (£3.8bn) to £5.5bn, with growth coming in particular from the mainland European market.

Mr Charlie McCreery, the trade and tourism minister, said: "I see the main growth opportunities coming from continental European markets as Irish industry accelerates its diversification from its traditional UK market."

The government is to provide an additional £12m in finance over the next three years, to enable exporting companies to increase their full-time sales forces working in Europe, to take on additional customer support staff



McCreery: targeting Europe

with business and language skills and to part-finance 10 new group marketing schemes. Mr Conor McCarthy, Irish

Turks in Uzbekistan telecoms venture

By John Murray Brown in Ankara

TELETAS, Turkey's second largest telecommunications equipment manufacturer in which Alcatel of France has a 39 per cent stake, has formed a joint venture to install digital public exchanges in Uzbekistan, the latest move by Turkish telecom companies into the Turkic-speaking former Soviet republics.

The joint venture between Teletas and Algorithm, a local Uzbek company, will start delivering Alcatel's System-12 public exchange, which Teletas makes under licence in Turkey. The project will initially install 70,000 lines in eight Uzbek cities, eventually lead-

ing to full manufacture of the exchange by Intel, the joint venture company.

The deal follows similar moves by Netsa, Northern Telecom of Canada's majority-owned Turkish subsidiary, and Sintel the local Siemens operation. Progress has been spurred by a \$25m (£17.6m) Turkish government aid project to provide digital public exchanges in all five Turkish-speaking former Soviet republics. Teletas installed a 2,500 line exchange in both Tashkent, the Uzbek capital and Bishkek, capital of Kyrgyzstan. Teletas say they hope also to manufacture the Levent, a small rural switching system, designed in the company's Istanbul laboratory.

Trading with purpose

Kevin Brown looks at Australia's promotion effort

DO trade promotion organisations boost exports by improving access to overseas markets or do they impose a bureaucratic barrier between businesses and potential customers? Under pressure to improve performance and cut costs, the Australian Trade Commission (Austrade) is trying to find out. Austrade was set up in 1986 to combine several government organisations in a "one stop shop" to provide assistance to Australia's export effort. But a 1991 review by McKinsey, the management consultants, suggested the experiment had failed. McKinsey found the organisation bureaucratic, top heavy and unfocused. Its report said Austrade was failing to justify its A\$127m (£80.40m) budget, and concluded that changes would be required to justify its continued existence.

Mr Ralph Evans, chief executive since July 1991, says the points made in the McKinsey report have been absorbed. Many staff have been relocated overseas to increase direct contacts in overseas markets. More managers, including Mr Evans himself, are being recruited from the private sector. And resources are being diverted from "easy" markets such as the UK and US to "difficult" countries in Asia and Eastern Europe, where McKinsey thought Austrade could provide services that companies were unlikely to establish for themselves.

Austrade is also paying increasing attention to the Asia/Pacific region, which most forecasters expect to play

an increasingly important role in Australian trade. The run-down of activities in Australia and other English-speaking countries has helped provide resources to increase representation in Beijing, Hong Kong, Singapore, Jakarta, India, Bangkok, and Vladivostok, in Russia's resource-rich Far East which was still closed to most foreigners less than two years ago.

Operations in Japan, by far the most important of Australia's trading partners, have been boosted by four regional offices to support the main representation in Tokyo and Osaka.

Mr Evans says his goal is to make Austrade as much like a private company as possible. "We are trying to encourage a culture of enterprise that is oriented towards results, towards actually making a bit of difference to Australia's export business," he says.

Austrade representatives used to spend much of their time compiling economic statistics and marketing Australia as a whole. Now they are encouraged to bring buyers and sellers together and organise, for example, flexible credit terms for cash-starved buyers in newly-liberalised economies. Sometimes trade commissioners have played an important role in spotting opportunities for Australian companies, and finding partners in big contracts.

There have been some successes. The Beijing office spotted an opportunity to develop an air traffic control system for

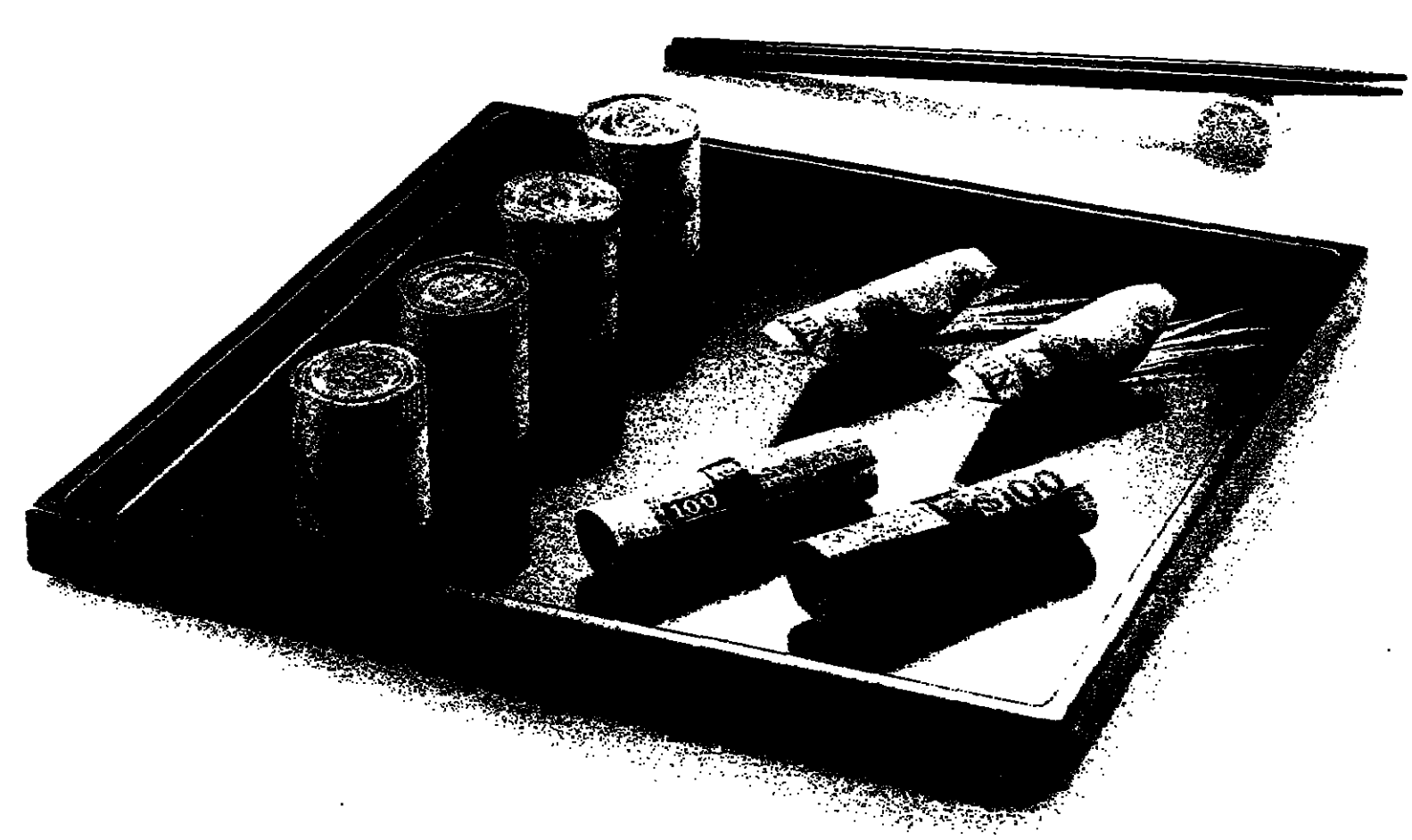
50 Chinese airports, and helped find a local joint venture partner for AWA, the Australian electronics group, which subsequently won the contract against stiff competition.

In Hungary, Mr John Charody, a trade commissioner recruited from the private sector, helped put together a series of agreements under which Australian companies will supply thousands of games machines, and set up a national lottery and a chain of computerised betting offices.

McKinsey suggested that Austrade had played a "worthwhile" role in exports valued at A\$3.5bn over three years, and argued that the total could be improved. But assessing the impact of trade promotion is more difficult than adding up the value of goods or services sold. Trade promotion organisations have relied on indirect indicators such as the number of trade displays or the number of meetings facilitated by representatives. But such indicators reveal little or nothing about the amount of business which gets done.

The alternative approach being adopted by Austrade is to assess the value in terms of sales or contracts of efforts on behalf of specific companies. But as Mr Evans points out: "We have got to set up some criteria... to decide whether we have helped a lot in specific cases, or just at the margins."

Austrade has commissioned an independent investigation to cross-check the results with the companies. Also, exporters will be asked whether they are getting good value from Austrade's offices.



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Dr Kalim Siddiqui, Leader of the Muslim Parliament, says: "Events in Bosnia should send a chill down the spines of all Muslims living in the West. No Muslim State is prepared to shoulder the common burdens of Islam. Muslims in Europe, North America and elsewhere should mobilise their resources. Let us begin with zakat and fitrah (and sadaqah) this Ramadhan."

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BA seeks Branson silence in peace deal

By Paul Betts and Michael Cassell

BRITISH AIRWAYS is demanding that Mr Richard Branson, head of Virgin Atlantic Airways, sign a pledge banning him from ever making any public reference to BA's "dirty tricks" campaign as part of a final settlement of their bitter dispute.

Virgin, in turn, is understood to have asked for signed commitments from BA not to indulge in any further anti-

competitive practices.

According to sources the two airlines are refusing, so far, to yield on these issues but are understood to have agreed in principle on a £9m cash compensation offer to Virgin made by BA on Monday to settle the dispute.

As the two sides remained locked in tense negotiations, Sir Colin Marshall, chairman of BA, and Mr Robert Ayling, the airline's managing director, last night came under pressure from some MPs at a private meeting of the House of Commons all-party Aviation Group.

Opposition Labour MPs alleged that BA's activities against Virgin had damaged the reputation of UK civil aviation and demanded assurances that the airline would never repeat such behaviour.

Mr Ayling renewed BA's assurances that the "dirty tricks" involved a small number of incidents and employees. Mr Peter Mandelson, Labour MP for Hartlepool, dismissed

the explanation as "implausible".

Pressed by MPs to spell out his role in the affair, Sir Colin said any BA activities against Virgin "had not been authorised by any director of Britain's flag-carrier".

Asked about reports that BA was still conducting covert operations against Virgin in the US, Mr Ayling said that a full investigation into the latest allegations of passenger poaching was under way.

Sources close to the talks said last night that, unless the outstanding issues are quickly resolved, the lengthy and difficult negotiations between the two airlines risk collapsing.

Virgin rejected BA's £9m offer on Tuesday after Mr Branson was asked to sign a pledge he would remain permanently silent on BA's controversial campaign against his airline.

Under the offer he would have to consult BA's chairman before making any statement concerning relations between the two airlines.

It is now more than a month since Mr Branson and Sir Colin met to try to settle the dispute following Virgin's libel victory in January.

Although Virgin won £510,000 in libel damages from BA and a public apology, Mr Branson has repeatedly threatened to take further legal action against BA unless he secured satisfactory compensation for the commercial damages inflicted on his company by BA's undercover activities.

Britain in brief



Liquor and tobacco rules to cost £250m

New single market personal allowances on liquor and cigarettes carried into the UK from other European Community countries are expected to cost the government £250m in lost duties, the Commons trade and industry committee has been told. Mr Michael Knox, head of the Customs and Excise Single Market Unit, was unable to estimate possible losses to the exchequer from illicit trade in tobacco, wines and spirits, but said 150 extra customs officers had been deployed to clamp down on illegal sales.

for its proposals for treating overseas customers' nuclear waste.

Under proposals for "waste substitution" being considered by the government, BNF would send back to foreign customers a greater degree of high-level radioactive waste, but keep the much more bulky low and intermediate level waste in Britain.

UK may send subs to Canada

Britain has made preliminary contacts with Canada on the possible transfer of the Royal Navy's latest diesel-powered patrol submarines.

The move would be part of a plan to find equipment savings to match the £1bn cut decided last November in the UK defence budget over the next two financial years. The ministry would not comment on the content of its discussions with the Canadians.

Flexibility on water urged

Water companies called for more flexible standards on drinking water and warned that complete elimination of lead from water could cost £8bn. The Water Services Association said it accepted the World Health Organisation's new tighter guidelines on lead in water but warned that much of the £8bn cost would fall on householders.

Index to include holidays

Overseas holiday costs will be included for the first time in the February retail price index, which will be published on March 19. The council tax, which will be treated as an indirect tax on housing, will be included in the RPI from April, when it replaces the community charge.

N-waste store may be larger

Nirex, the controversial planned store for nuclear waste at Sellafield, might have to be 10 per cent larger than currently expected if British Nuclear Fuels wins backing

Tourist visits at new record

A record 18.1m overseas tourists visited the UK last year, the British Tourist Authority reported. The total, which included 11.5m from western Europe, was 9 per cent higher than in 1991.

Lotus to join Taiwanese car engine project

By John Griffiths

GROUP LOTUS, the Norfolk-based sports car and engineering concern, is to help develop car engine production in Taiwan.

The contract, which the company said yesterday would be worth "quite a few millions" over several years, may make more difficult a decision by General Motors whether to sell Lotus, which it has owned since 1987.

GM has been approached by several interested parties, including a management team led by managing director Mr Adrian Palmer, about the purchase of all or parts of Group Lotus.

The approaches have followed a decision last year to abandon production after less than two years of the Elan, small sports car which Lotus had hoped to sell at a rate of 3,000 a year.

But the car was widely regarded as much too expensive and never came close to its sales targets. As a result Lotus Cars, the car-making division which now produces only the very low volume Esprit "supercar", has been heavily loss-making for the past two years. It now employs only 200 people - one third of 1991 levels.

Lotus Engineering, the consultancy division, which has won the Taiwan contract, earned more than £20m in 1991 and is understood to have again made substantial profits last year, although figures have yet to be released by GM.

It is now substantially larger

than the car-making side of the business, with 500 employees. They will be the beneficiaries of the Taiwanese deal, which involves technology transfer by Lotus to the Taiwan government-backed Industrial Technology Research Institute (ITRI).

Four Taiwanese car makers - Yuon Motor, China Motor Corp, San Yang Industry and Yeu Tyan Machinery Manufacturing - are also taking part in the project, which aims to bring into volume production a range of 1.2 and 1.6 litre car engines by 1997.

Taiwanese officials said the project would help to upgrade the island's car industry and reduce its reliance on imports of components from Japan.

General Motors' dilemma is that while it would probably be glad to be rid of the loss-making car side of the business, it is one of the biggest customers for Lotus Engineering's design and development services.

Ian Maxwell pays £500,000 to avoid bankruptcy

By John Mason, Law Courts Correspondent

MR IAN Maxwell yesterday avoided the threat of bankruptcy when he made a last minute payment of £500,000 to the liquidators of the Bishopsgate Investment Management, the former managers of the Mirror Group pension funds.

Mr Maxwell, son of the late media magnate, had been ordered to pay the money last December after a judge ruled he had breached his duty as a BIM director by agreeing to the transfer of shares worth about £580,000 to Credit Suisse without obtaining an assurance that the BIM board had approved the transfer.

The bankruptcy proceedings were set in motion after Mr Maxwell's lawyers indicated he could not afford the payment.

Five minutes before yesterday's hearing, however, Mr Maxwell handed over a banker's draft for £500,000 to Miss Margaret Cole, of Stephenson Harwood, the solicitors acting for BIM. He also agreed to pay the substantial legal costs of bringing the bankruptcy proceedings against him.

His payment of the money prompted speculation about the origin of the funds and the apparent change in his financial circumstances.

The liquidators would continue their claim against Mr Maxwell for the outstanding balance of £280,000, plus interest since September 1991, Miss Cole said. They would also be considering the position regarding their outstanding claim for more than £400m against Mr Maxwell.



Ian Maxwell arrives at the High Court yesterday, where he paid £500,000 to avoid bankruptcy

No new charges in Iran scandal

By Richard Donkin and Ralph Atkins

MR ALAN CLARK, the former defence minister, will not be prosecuted over evidence he gave to the Matrix Churchill trial at the Old Bailey in November, the Crown Prosecution Service announced yesterday.

The announcement led to accusations by Mr Robin Cook, Labour's trade and industry spokesman, last night that the government had deliberately engineered the decision because it was afraid Mr Clark would have revealed more details of ministerial involvement in the affair.

He said: "Alan Clark knows a lot about ministers' involvement in the arms-to-Iraq scandal. The government appears to have backed off from prosecution because they were scared that he might have continued to tell the truth in the court room."

The Matrix Churchill affair provoked a political storm last November with Mr John Major forced to defend the government against accusations that ministers had misled the Commons. The outcry led to the setting up of an inquiry into trade with Iraq led by Lord Justice Scott.

The £3m trial collapsed when the prosecution said that Mr Clark's evidence in court had not been consistent with earlier statements to the Commons and Exchequer.

Scotland Yard was asked to investigate apparent inconsistencies in Mr Clark's evidence but the CPS said yesterday that the police had been "unable to establish with sufficient certainty which of the inconsistent statements made by Mr Clark was not true". Mr Clark said he had not at any stage been interviewed by police after the trial. He agreed that it was surprising that he had not been interviewed.



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NEWS: UK

£1.8m campaign aims to win 5% of US imports

Export drive targets decline in US trade

By David Dodwell,
World Trade Editor

BRITAIN today launches its "North America Now" campaign, one of its most ambitious export promotion campaigns ever, aimed at reversing a long-term decline in its share of the US market and forging new joint ventures for medium-sized companies.

Mr Michael Heseltine, trade and industry secretary, rejected criticism that the campaign may be poorly timed, as a new US administration is drawing up potentially protectionist trade policies.

Timing could not have been better, he said. Sterling's devaluation had boosted opportunities for exporters, and there was clear evidence that the US and Canada were emerging strongly from recession.

The £1.8m, three-year campaign comes after five years when the European single market has been the main focus of export strategy.

No formal target has been set, but the government hopes the UK share of US visible imports can be lifted from 3.8 per cent to 5 per cent by 1995, boosting exports in money terms by about £3bn a year from the current £12.2bn.

Innovative elements of the



Michael Heseltine: denies campaign poorly timed

campaign include:

- The targeting of 20 US sectors, including services, motors, giftware, mail order, food and drink, airport equipment, construction and clothing, with 50 events planned in North America over six months focused on export opportunities in these sectors.
- Nine "export promoters" seconded to the DTI from the private sector will work with prospective exporters as part of the campaign.
- An education programme including 10 scholarships a year at the J.L.Kellogg School of Management in Chicago and workshops on issues such as

how to reduce market entry overhead costs, and US sales practices.

- Price Waterhouse, the accountancy firm, will work to forge "strategic partnerships" as outlined below.

- A "big companies partnership", involving discussions with leading exporters to the US aimed at discovering where the government can assist in overcoming trade barriers, or defining how US trade and investment fits into their overall growth strategy.

Regional initiatives will range from backing a partnership between the oil regions around Calgary and Aberdeen, to a sectoral initiative between Wales and Ontario.

There will also be an "America Week" in Birmingham this month to coincide with British Airways' inaugural direct flight to New York.

The US is Britain's third largest export market, behind Germany and France, accounting for about 13 per cent of visible exports last year.

The UK is the largest foreign investor in the US, with a cumulative total of £106bn - more than a quarter of aggregate foreign investment in the US. It is also the leading exporter of services to the US, earning £9bn in 1992.

Britain wins '21 per cent' of American investment

By Emma Tucker

THE UK has enjoyed more US overseas direct investment since 1987 than any other country, according to a study released yesterday.

Some 21 per cent of US overseas investment came to the UK which also received 9 per cent of Japanese overseas direct investment, ahead of any country except the US. Within the European Community the UK benefited from 41 per cent of total Japanese investment over the past three years.

The study, by the Centre for Economics and Business Research on behalf of the Confederation of British Industry, shows inward investment has become an important component of total investment in the UK with nearly one-fifth of the £220bn invested in British industry since 1987 coming from overseas.

The motivations of US and Japanese companies were different, according to the study. US investors were aiming more at UK domestic markets and specific opportunities in the finance and oil sectors, while Japanese companies were pursuing access to EC markets.

The study concludes that the spurt in US investment may have ended, with much of the growth in the late 1980s reflecting companies' desire to "catch up" with the UK's growth. Future US investment will be restrained by the lagged effects of the UK recession, says the report.

Companies from both countries, but particularly Japan, said the UK's failure to ratify the Maastricht treaty and the perception that the country was in the second tier of a two-speed Europe would have some negative effect on investment.

About 40 per cent of investors said withdrawal of the UK from the single market would have a "major negative effect" on investment. US and Japanese investment in the UK and the UK's links with the EC, Centre for Economics and Business Research, 15 Kent Terrace, London NW1 4RP.



Measure of success: John Major warns "producing quality is not an optional extra in the '90s. It is absolutely essential for success."

Prime minister urges aggressive competition against overseas products

Major criticises 'British disease'

By Charles Batchelor
and Philip Stephens

MR JOHN MAJOR yesterday renewed his attack on the "British disease" of talking down achievements and presenting an image of a nation in decline.

Speaking at a conference on British style, quality and innovation organised by the Walpole Committee, a group of companies in the upmarket goods and services sector, he urged companies to be more aggressive in promoting their products against overseas competitors.

"Perhaps we have played at being gentlemen in industry and commerce for too long," he said. "We need to join the players."

Stressing the importance of quality, he added: "Producing quality is not an optional extra in the '90s. It is absolutely essential for success."

Mr Major's comments marked the latest shot in a determined campaign by 10 Downing Street to "talk up" the economy's prospects.

While the Treasury has been

reticent about claiming that the recession has ended, the prime minister is voicing optimism that recovery is already under way.

His concern is that what he termed the "British instinct for self-deprecation" could undermine the upturn in consumer

open doors.

The Walpole committee was set up last year and has 20 members. It aims to focus international attention on British excellence and style in the manufacturing, service and creative fields and to create a working body to help compa-

thought it helpful to have products marked "Made in Britain" while 9 per cent disagreed.

The four sectors which UK companies felt were most associated by foreigners with British style and quality were "classic clothing," china, retailing and food and drink.

However, 55 per cent of respondents felt British companies in the quality goods sector were losing out to foreign competition. Sixty one per cent of respondents said the main strength of British companies was their branding.

Mr Ivor Owen, director-general of the Design Council, said that while the image created by Britain's upmarket companies was one of permanence, tradition and craftsmanship, they were operating in an extremely fast-changing market place.

Walpole Committee members include George Ballantine, the whisky maker; J. Barbour, manufacturer of country clothing; Chewton Glen, the country house hotel; Holland & Holland, gunmakers; British Airways, the Savoy Hotels and the Financial Times.

SUCCESS STORIES

Amongst your members are a large number of success stories. I hope you will forgive me if I single any of you out, but I think it helps illustrate how wrong the gloomsters are:

The Financial Times has increased its circulation [overseas] in the last five years by 67 per cent, and since printing began in Japan two years ago, sales there have grown by 135 per cent.

William Grant continues to expand in their export markets and they have now made Glenfiddich famous worldwide as a symbol of quality. Dawson International, owners of Pringle and Ballantynes, are competing and succeeding in Germany and in Japan. I would stretch these examples across wide areas of British industry and endeavour.

— John Major

and business confidence needed to sustain rising demand.

The prime minister, who returned last month from a trade mission to Saudi Arabia, said he would take more business overseas with him on trips in future if it helped to

nies in the sector to grow.

The committee is named after Sir Robert Walpole, the first British prime minister, known for his trade promotion.

A survey of the chairmen and managing directors of 35 companies in the quality goods area showed 78 per cent

Transatlantic alliances sought

By David Dodwell

PRICE WATERHOUSE, the accountancy and management consultancy group, has been given a key role in the "strategic alliances" initiative at the core of the government's "North America Now" campaign.

Its task will be to work with about 50 medium-sized UK companies a year with the aim of introducing them to up to three prospective US partners. The aim over the three-year campaign will be to forge 10 to 15 successful partnerships each year, generating earnings towards the UK balance of payments amounting to £30m.

"These companies will not be beginners," said Mr Ian Guthrie, partner at Price Waterhouse responsible for the project. "They should have between 100 and 500 staff, a turnover of £10-50m, and a good foothold in the US market already."

"The main challenge is to try to bring to the middle-sized company the type of services that would normally be available only to larger companies," he added. "Without these rigorous support services, company initiatives often fade out because smaller firms lack the internal dynamic to bring them through."

Price Waterhouse has 46 pro-

fessionals based in the US, with offices in New York, Boston, Atlanta, Dallas, Los Angeles and Chicago. These will provide the platform from which the search for US partners is launched.

No UK companies have yet been earmarked. This process will begin on April 1, when the scheme is launched formally. Price Waterhouse to be paid £186,000 a year by the government as a contribution to the cost of its "match-making" work. Individual companies can expect to spend between £10-15,000 of their own funds if they successfully complete the process of finding a strategic partner in the US.

REPEAT CALL TO TENDER FOR THE HIGHEST BID

for the Purchase of the Assets of "VIEUX Constructions and Equipment of Industrial Facilities", of Athens, Greece.

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouleniou Street, Athens, Greece, in its capacity as Liquidator of "Vieux Constructions and Equipment of Industrial Facilities", a company having its registered office in Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990,

announces a repeat call for tenders

for the highest bid by submission of sealed binding offers for public auction (the "Auction") of the assets of the Company, as a single whole. This auction takes place following cancellation due to legal problems of the recent tender proceedings in respect of the Company as per the publications in the Greek press on 27th and 28th November 1992 and in the Financial Times on 28th and 30th November.

BRIEF INFORMATION: The Company was founded in 1980 and until 1991 (when it was first declared under liquidation in accordance with article 9 of Law 1386/1983) was involved in the study, construction and manufacturing of all kinds of industrial equipment and facilities, machinery, cars etc. The operation of the Company ceased in 1991. No personnel is currently employed. The Company assets include facilities built on a land of 36,019 m², in Mandra, Attica, facilities built on a land of 4,650 m² in Piraeus, and a 50% share on a land of 5,246 m² in Larissa. Assets also include machinery, mechanical equipment and trade marks. Mention is made that together with the above assets there shall be sold mechanical equipment (including cranes, etc. as described in the Offering Memorandum) at a price of drs two hundred fifty million (drs 250,000,000) owned by the National Bank of Greece SA following a transfer of ownership from the Company made before the declaration of the liquidation (see also term 7 below). Interested parties are called upon to seek more detailed information in respect of such mechanical equipment from the Liquidator.

OFFERING MEMORANDUM-FURTHER INFORMATION: Interested parties may obtain an Offering Memorandum in respect of the Company and the assets thereof and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

- The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.
- Binding Offers:** For the participation in the Auction interested parties are hereby invited to submit binding offers, not later than the 30th March, 1993 at 10.00 a.m., 11.00 a.m., to the Athens Notary Public George Stefanakos, address: 39 Academias str., Athens, tel: +30-1-645.04.22 +30-1-360.69.69 Fax: +30-1-645.04.23. Offers should expressly state the offered price in aggregate for both the assets of the Company and the drs 250m worth of mechanical equipment mentioned above under the title "Brief Information". Offers should also state the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate). Binding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
- Letters of Guarantee:** Binding offers must be accompanied by letters of guarantee, for an amount of drs eighty million (80,000,000), issued, in accordance with the draft form of letter of guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to be valid until the adjudication. Letters of guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the letters of guarantee shall be forfeited as a penalty.
- Submissions:** Binding offers together with the letters of guarantee shall be submitted in sealed envelopes.
- Submissions shall be made in person or through a duly authorised agent.
- Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on the 30th March 1993 at 13.00pm. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
- As highest bidder shall be considered the participant whose offer will be judged, by the 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account which shall be calculated on the basis of a discount interest at an annual rate of 28% compounded quarterly or yearly.
- The Liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Note also that for the purpose of the transfer of the mechanical equipment owned by the National Bank of Greece SA, the contract of sale shall be executed both by the Liquidator and the National Bank of Greece SA. Adjudication shall be deemed to take effect upon execution of the contract of sale.
- All costs and expenses of any nature in respect to the participation and the transfer of the asset offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
- The Liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings and the making of the Auction. The Liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for adjudication nor shall the participants acquire any right, power or claim from this invitation and/or their participation in the Auction against the liquidator and/or the Creditors for any reason whatsoever.
- This invitation has been drafted in Greek and translated into English. In any event the Greek version shall prevail. For obtaining the Offering Memorandum and for any further information please apply to the Liquidator's agent: ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" address: 1 Skouleniou Street, 105 61 Athens, Greece tel: + 30-1- 323 14.84, Fax: +30-1-321.79.05 (attn. Mr Peter P. Dracopoulos).

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هكذا من الأفضل

The cola wars are hotting up again and this time the main battleground is Europe. This week, Pepsi-Cola opened up a new front in the offensive by unveiling a secret weapon: Pepsi Max, a diet cola designed to taste like the original product.

The product, to be marketed initially in Britain and Italy, is the first developed by the company specifically for non-American consumers. If it succeeds, it is likely to be followed by others which acknowledge that tastes in the US are not always shared in the rest of the world.

The primary target is a share of Coca-Cola's international sales. Three times larger than Pepsi's, they provide more than two thirds of its operating profits. But Pepsi believes Max can also expand the total soft drinks market, particularly in Europe and Latin America where cola consumption is a fraction of US levels.

"This is more than just a line extension that will shift shares between brands. The aim is to create a new market segment," says Don Holdsworth, vice-president of marketing at Pepsi-Cola International (PCI). "We can make a huge leap forward and have a superb opportunity to open up markets where diet colas have never taken off."

His confidence is underpinned by the lengths to which Pepsi has gone to ensure success. In bringing Max to market, the company turned its traditional approach to innovation and marketing on its head. For the first time, it sought to discover at the outset what consumers really wanted and then created a product around it.

"In the past, we would bring in a product and see if people liked it," says Holdsworth. "In this case, everything was open from the beginning. We didn't start out with a product, a concept or an advertising campaign."

The story began 18 months ago when Pepsi set itself the challenge of wooing international soft drinks consumers who were health-conscious but disliked diet colas. Though a quarter of US soft drinks consumption, diet colas are less than 4 per cent of the market in the rest of the world. Since diet drinkers imbibe 13 per cent more on average than consumers of regular colas, that translates into a big loss of potential sales.

Market research among non-US consumers who had tried, but rejected, diet colas revealed two main problems. One was the distinctive, slightly bitter, after-taste left by artificial sweeteners. The other was image. Many consumers, particularly in Latin countries,

Pepsi-Cola is battling for Europe's taste-buds with the launch of its new diet drink, writes Guy de Jonquieres

Clash of the cans



regarded diet products as effeminate or associated them with disorders such as diabetes and obesity. However, the research was frustratingly imprecise. It could not establish exactly what it was about the flavour consumers disliked – or what they would prefer – because they all used different words to describe tastes and flavours.

To crack the problem, Pepsi set up panels of volunteers from its research centre and instructed them to define a common vocabulary to describe subtle variations in the taste and "mouthfeel" of colas.

After six months of carefully controlled tests and cross-checking with consumers, the panels broke down into four separate elements what the public meant by "after-taste".

Armed with this information, Pepsi's chemists went to work. Using a new blend of basic ingredients, injecting a "top note" flavour and adding ASK – a new sweetener not yet approved in the US – to the standard aspartame, they were able to devise a sugar-free formula with a muted after-taste which went down well in consumer trials.

The next task was to find a suitable name and packaging format – again in close consultation with consumer "focus groups" in the target markets. Out of a list of 13 possible names, which included "Bold", "Plus" and "XT", the choice came down to "Max" and "Pepsi One". The former was picked because it suggested maximum cola taste and carried across different languages.

The search for the right packaging also began with a clean slate. Products bearing the Pepsi brand have used red and blue colours since the 1930s, since when there have only been four packaging redesigns. "Until now, colour design was more heritage than anything else," says Mark Blecher, manager of the Max project.

He decided for the first time to test alternatives by asking consumers what different coloured cans evoked. It turned out that everyone associated red cans with coke and blue with Pepsi, but that adding other colours simply confused people. It was decided to stick with Pepsi's traditional livery, albeit re-styled for use with Max.

The final – and in some ways trickiest – decision was on the advertising campaign. Prompted by market research which suggested that Max required an adventurous, masculine image, Pepsi commissioned two commercials featuring rock-climbers and sky-divers. The company's executives pronounced them a success. However, test audiences voted them boring.

Pepsi went back to the editing room and jazzed them up. As an insurance policy, it also re-shot an existing commercial for Mountain Dew – a soft drink sold mainly in the US – substituting cans of Pepsi Max. In the end, this proved to be the one viewers liked best, though Pepsi may still use the other commercials in some markets.

The company is keeping its options open about how fast it rolls Max out internationally and whether it will become a truly global brand. Much will depend on the results of test marketing in Britain and Italy, chosen because of their widely different patterns of soft-drink consumption.

However, Holdsworth insists that Max is destined to become a leading product line. "We are not talking about 5 per cent of the market – if it only got that, something in the development process would have gone awry. It is a long-term brand, we expect it to be on the market permanently."

He is confident that, if Max succeeds, Pepsi will have the market to itself for some time. Coke's large share of international soft drinks sales, he argues, means it would stand to gain little volume if it launched a rival drink, and would risk cannibalising its product range.

Toasting the appeal of cider

A wider variety has helped revitalise sales and attract more consumers, reports Philip Rawston

Cider is the fastest growing sector of the UK drinks market. Intensive brand advertising, increased distribution through pubs and supermarkets and lower excise duties have contributed to the growth. However, cider sales have been driven in particular by a vigorous, industry-wide programme of new product development which has attracted new consumers and revitalised the appeal of older, mainstream brands.

Since 1988, the industry has shown remarkable vitality in raising sales 36 per cent to 84m gallons a year with an estimated retail value of £750m. Even in the face of recession last year, volume sales increased nearly 10 per cent while beer consumption declined 3 per cent.

Until the early 1980s, consumers were offered little choice beyond dry and sweet cider. Then Merrydown, the small, Sussex-based cider-maker, established a premium segment. Unable to compete against the mainstream volume brands, such as Bulmer's Strongbow and Woodpecker, Merrydown carved out a higher-margin niche for its bottled vintage cider, which it packaged and positioned as an alternative to wine.

It was several years, however, before the rest of the industry began to exploit the opportunities, opened by Merrydown, to move cider into the more fashionable sector of the drinks market.

Taunton started the push for growth through the development of new products in 1988. Diamond White, a bottled, strong white cider, was introduced as a competitor to premium lagers. It was an instant success. Today, with Diamond White, a pink-tinged, lower-strength cider aimed at women, the brand dominates the premium sector and is still growing strongly.

Taunton followed with the launch in 1989 of Red Rock, a draught cider made less gassy and acidic for "session" drinking and aimed once more at young lager consumers. Supported by £5m of quirky advertising, it has secured

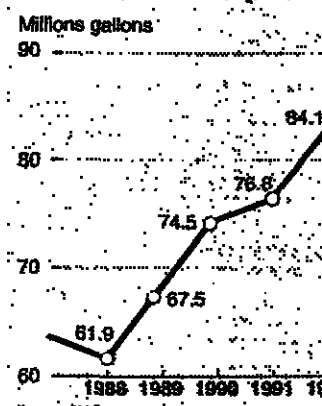
a 3.5 per cent share of the draught cider market.

"Fermented apple juice can provide a basis for an extraordinary range of drinks of different colours and tastes," says Andy Nash, Taunton's marketing director.

Learning from Taunton's initiatives, the rest of the industry quickly widened the search for new ways of presenting its basic product and the pace of innovation accelerated. It sought ideas by investigating trends in international drinks and consumer goods markets as well as in the UK.

"Talking to consumers can help to identify gaps in the market and enable you to design products to fit them," says Elaine Robinson, marketing director for Gaymer Group.

UK cider consumption



Source: NAMA

the industry's third-largest company. "But you have to look elsewhere for the big ideas, the leaps of imagination that really change the market."

Gaymer, anticipating the revival of real ale in the UK, introduced Addlestone's, a cask-conditioned cider. But it drew inspiration from the port wine industry for the 1989 launch of K, a strong, dry, bottled cider. Packaged in a matt black bottle, labelled with a bold red K, it is aimed at young, style-conscious drinkers. It is the most expensive cider, selling at up to £2.50 a bottle, but it is already in the top four premium brands.

Gaymer and Merrydown have

now joined forces to push another new product, Merrydown's vintage draught, in the UK pub market.

Bulmer, the industry leader, concerned primarily with the distribution and marketing of Strongbow and Woodpecker, its big volume brands, reacted slowly to Taunton's new product introductions. It launched Max, Strongbow Super and 1080 as premium products; and all readily found profitable niches. But it is only in the past two years, with a development team under Gray Oliver, Gaymer's former marketing director, backed by a £2.5m technical research centre, that Bulmer has focused on new products.

They have been pouring on to the market at an impressive rate. Scrumpy Jack, a half-forgotten brand owned by Bulmer's subsidiary, Symonds, was subtly refined and revived. With promotional support of only £500,000, it has already overtaken Red Rock to become the leading premium draught cider.

Discovery, made from the first apple pressing, has been introduced as a lightly sparkling "cider nouveau". There has been another premium bottled product, 1727, and Hockhams, a wine alternative.

Black Jack, now being test marketed, combines cider with extracts of malt and yeast. From its Stassen subsidiary in Belgium, Bulmer is introducing ciders flavoured with natural fruit juices.

Oliver says he is now investigating the use of cider as a base for higher-strength aperitifs and liqueurs.

With consumers eager for choice and more adventurous in their tastes, Taunton's output of new products shows no signs of flagging. It brought five products to market in seven months last year: Brody, a golden cider which sold 1m bottles in six weeks after its launch; Applewood and Moonstone, adult long drinks; Pres, a light sparkling cider; and Drum, a white perry.

All this activity has not only helped lift the overall cider market but has increased the premium sector from 2 per cent in 1986 to 16 per cent last year.

TECHNOLOGY

Louise Kehoe looks at moves in the US to establish high-definition television standards

A blurred vision of the future

Couch potatoes take note. The technical standards that may determine the quality of the television pictures you can watch for the next several decades are about to be decided in Alexandria, Virginia, a suburb of Washington DC.

This is the site of tests conducted by the Federal Communications Commission's advisory committee on advanced television. For the past year it has been a hive of activity as four industry groups have competed to display the clearest and brightest television pictures.

While the task facing this panel has been to select technical standards for the US, it appears their decision may also strongly influence high-definition television standards in Europe, in the wake of the disintegration of European Community efforts to develop a home-grown version of HDTV.

Exhaustive – and, according to participants, exhausting – tests of five proposed versions of HDTV (two from one of the groups) have

not yet produced a clear winner. Last week, the FCC panel, which represents the biggest companies in US television, deferred a decision, urging three of the four groups involved to unite in an effort to set a "world-leading standard" for HDTV.

The panel concluded that each of the proposed systems had some shortcomings. One system, from NHK, Japan's public broadcasting corporation, was ruled out because

Competing HDTV groups may form a broad alliance

it uses analogue technology. The FCC had already indicated its preference for a digital system, which will transform the TV set into a multi-purpose display for TV and computer images.

Richard Wiley, chairman of the advisory committee, said a "grand

alliance" of the companies competing to set the standard would combine the best elements of each one's technology.

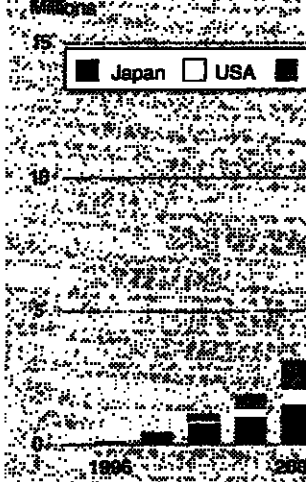
Already, two of the three groups – General Instrument with the Massachusetts Institute of Technology and Zenith with AT&T – have agreed to share royalties if either side wins the competition. A third consortium comprising NBC, the US television station, Thomson of France, Philips of the Netherlands and David Sarnoff Research Centre and Compression Labs of the US, has the choice of competing or collaborating with other participants.

Drawing the industry groups together will be a delicate process, because they have been contestants in the first round of the competition to establish industry standards. However, Wiley said that FCC panel members will help to negotiate an agreement between the groups.

An agreement to merge may be imminent. They face a deadline of March 15 to decide whether to continue to compete or work together.

HDTV projections

Estimated cumulative sales by volume



Annual estimated revenues

\$bn (1992 prices)



The pressure to form a broad alliance is intense in this "winner takes all" race. A merger would also rule out appeals from losing parties that could delay the implementation of HDTV standards.

A "grand alliance" of the competing HDTV systems "might more effectively and rapidly advance the establishment of an HDTV broadcast standard," Wiley said.

The advisory panel's decision is now likely to be postponed for several months. This could delay the FCC's timetable for the final selection of an HDTV standard. The agency had hoped to make a final choice by the end of this year.

However, a decision could come much earlier if the four competing systems are consolidated as now appears likely.

Talks are under way among the groups that could lead to a combination, according to participants. Forming an alliance may be easier than agreeing on technical standards, according to participants. While the business arrangements of such an agreement can be worked out, each group has "religious faith" in its technology.

Pragmatism appears likely to prevail, however, and the consensus is that it will be possible to blend the best aspects of each

proposed system.

Despite the delays, US TV watchers can look forward to viewing HDTV in their homes by mid-1996 or early 1998. They will, however, have to be prepared to pay about \$3,000 to \$3,500 for the pleasure of sharper picture quality.

Those prepared to wait another couple of years may be able to jump on the bandwagon for a mere \$1,000, according to industry projections – only two to four times the average US price of a standard TV set.

According to the FCC's current plans, today's standard broadcasts and the new HDTV signals will co-exist for about 15 years.

Finding the cause of MS

US scientists have identified the rogue immune cells that are responsible for multiple sclerosis. The discovery by Stanford University researchers working with Neurocrine Biosciences, a San Diego-based biotechnology company, could lead eventually to a cure for MS, which afflicts more than 2.6m people worldwide.

Although MS has been the subject of intensive research activity worldwide, there is still no effective treatment for the disease, in which the body's immune system attacks the protective coating of myelin protein around nerve fibres. This results in progressive paralysis.

The researchers report in the journal *Nature* today that they have identified the specific type of white blood cell (T-cell) responsible for the attack – and matched its genetic sequence to a corresponding gene on the myelin protein.

By good fortune, it turns out that the same genetic sequence causes MS in rats; having an animal model always speeds up drug development. Lawrence Steinman, leader of the Stanford/Neurocrine research team, says the scientists are following three approaches:

- The primary effort is to make a "molecular decoy" which can attract the T-cells away from the myelin. Clinical trials of the first candidate could start next year.
- Antibodies or other molecules could be developed to remove or inactivate the T-cells.
- A vaccine could disable the T-cells.

"All three methods focus on blocking or disabling the very specific immune response that causes this disease, without suppressing the patient's entire immune system," Steinman says.

Once a blocking technique has been developed, it may eventually become possible to use "growth factors" to repair the damaged tissues in MS patients.

But the ultimate cause of MS – what triggers the T-cells to attack – is not yet understood. One theory is that fragments of viruses mimic parts of the myelin molecule and trigger auto-immunity.

Clive Cookson

More than a droplet in the ocean

Victoria Griffith reports on a computerised technique that could revolutionise manufacturing

Homogeneity may seem boring to some people, but for scientists and manufacturers it can be a dream come true. Sectors as diverse as steel, pharmaceuticals and ceramics are excited about a new technology known as "droplet-based manufacturing", which uses computers to create and manipulate minute drops of metals, glass and other substances – all of exactly the same size.

The Massachusetts Institute of Technology is at the forefront of research on the new technique, and is receiving funding from established companies such as Motorola. Jung-Hoon Chun, a professor at MIT, has developed a computerised system for creating uniform droplets which he believes will revolutionise the manufacturing process in many companies.

"With droplet-based manufacturing, we can control the microstructure of materials and therefore improve their properties at a low cost," he says. Materials in liquid form are pushed through a tube with a microscopic hole at a rate determined by the computer, which also controls the placing of the drops.

One sector most interested in the new technique is steel. "Our company may be able to use this process for the galvanisation of steel parts for construction," says Peter Chesney, general manager of new technology at Chaparral Steel in Texas. "If you have different-sized droplets of metal, that affects the quality of the product. You may have to repeat the process several times, and you get a lot of waste from unusable materials."

In metal production today, the slow cooling process also encourages the separation of metal alloys. This means that companies are usually forced to heat and cool the metal many times to get a uniform substance. With droplet technology, though, reheating would be unnecessary. Droplets, since they are small, cool quickly, and prevent the separation of alloys.

Because the droplet technique, which would replace mould and extrusion processes, is faster, uses less energy and produces products of consistent quality, companies using the process could save money. "This could cut our production costs by a significant amount," said Chesney.

Another sector with a keen interest in the technology is pharmaceuticals. Many oral medicines are

made up of granules of a specific size so that the medicine takes effect over a certain period of time. The long-lasting impact of 24-hour cold medicines, for instance, is determined by the size of the powder particles. Droplet-based manufacturing would ensure these minute particles were the right size, preventing the trial-and-error process many pharmaceutical groups use today.

"With the droplet technique, you can get almost 100 per cent accuracy for powder production," says Chun. The 3M Corporation is concerned with producing uniform drops of a larger size. "We may use the technology to produce the glass beads that form reflectors on road signs," says Kenneth Smith, technology scout for the group. "The process is novel because it would

allow you to make only the size of bead you want. In today's manufacturing, the production of too many wrong sizes is costly and slows down our output."

Ain Sonin, also a professor at MIT, has taken the technique one step further. He is using computers to control the size of the droplets and their location in the production process. Using a normal computer printer head, which is usually programmed to place drops of ink in a pre-determined, letter-forming pattern on a piece of paper, Sonin is aiming to form computer-controlled patterns in metal.

His goal is to be able to program the design, often so small that it can only be seen with a microscope, on to a computer disk. The disk would then be linked to an industrial robot, which would "draw"

the design with metal or other materials. Sonin hopes this method would allow companies designing electrical circuit boards, as well as other groups, to alter their manufacturing process at the touch of a button. "The technique would be akin to making alterations on a word processor," says Sonin. "You just change a word here a word there, press the print button and the computer does the rest."

It will probably be some time before these droplet techniques are taken up by industry. "It will take a few more years to perfect the technology, and another few to conduct test trials," says Peter Roberts, engineering manager for special powders at Nuclear Metals, which makes artificial limbs and joints. "We're very excited about the possibilities."

LUXOTTICA GROUP

S.p.A. - Registered Offices in Milan, Piazzale Lottio, 2
Paid in Capital Stock, Lit. Lire 45,050,000,000
Fiscal Code no. 00891030272 - VAT no. 10182640150
Registered with the Court of Milan, no. 0308941/41
Registered with the Milan Chamber of Commerce, no. 1348098

NOTICE OF CALL

The shareholders of Luxottica Group S.p.A. are hereby convened for an ordinary shareholders' meeting to be held on 19th April, 1993 on first call and, if necessary, on 7th June, 1993 on second call, in New York at the New York Stock Exchange, 8 Broad Street, Board Room, at 10:30 a.m., to resolve upon the following:

Agenda

1. Submission and approval of the Company's balance sheet as at 31st December, 1992 and of the reports thereon of the Board of Directors and the Board of Statutory Auditors;
2. Resolution about the distribution of profits;
3. Submission of the consolidated financial statements as at 31st December, 1992;
4. Determination of the compensation for the members of the company's Board of Directors and Executive Committee;
5. Determination of the compensation of the members of the Board of Statutory Auditors;
6. Miscellaneous.

In order to be entitled to attend the meeting, the shareholders will have to deposit the shares, by virtue of which they have voting powers, at least five days prior to the date of the meeting, with the Company's registered offices or with Credito Italiano, Treviso Branch, Milan Branch or New York Branch. The holders of ADRs, listed at the New York Stock Exchange, each representing one ordinary share, who wish to attend the shareholders' meeting personally, should contact the Company, Mrs Susi Belli, Italy (tel. 0039/437/62641), by March 10, 1993, in order to be informed about the requirements to be fulfilled to attend the meeting and cast the vote.

Milan, March 4, 1993.

Luxottica Group S.p.A.
for the Board of Directors
The Chairman
Leonardo Del Vecchio

LEGAL NOTICES

Members Voluntary Winding-Up

Company Number: 233098
NOTICE OF INTENDED DISTRIBUTION
ROSLAUGH SC LIMITED
(IN LIQUIDATION)

NOTICE IS HEREBY GIVEN, pursuant to Rule 4.182A of the Insolvency Rules 1986, that the Liquidators of the above-named company intend to make a distribution to creditors. The creditors of the company are required, on or before 25th March 1993 to prove their claims by sending to the undersigned T R Harris and C J Hughes of Coopers & Lybrand, 20 St Andrew's House, London EC4A 3AY, the Liquidators of the company, written statements of the amounts they claim to be due to them from the company, and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the Liquidators to be necessary. A creditor who has not proved his claim before the date mentioned above is not entitled to dissent, by reason that he has not participated in it, in the intended distribution mentioned above or any other distribution before his claim is proved.

Dated: 26 February 1993.
Signed: T R Harris
John Hughes

Company Number: 233098

ROSLAUGH SC LIMITED

At an extraordinary general meeting of the Company held at the offices of Deloitte Hogg & Cartwright, 25 Abchurch Lane, London EC4A 3DF on 23 February 1993, the following Special and Ordinary Resolutions were duly passed:

SPECIAL RESOLUTION

THAT the Company be wound up voluntarily.

ORDINARY RESOLUTION

THAT Christopher John Hughes and Timothy Richard Harris of Coopers & Lybrand, 20 St Andrew's House, London EC4A 3AY be and are hereby appointed joint Liquidators for the purposes of the aforesaid winding-up and any act required or authorised under any enactment to be done by the Liquidator as to be done by all or any one or more of the persons for the time being holding that office.

Signed: D A Lomas
Chairman

Company Number: 174756

NOTICE TO CREDITORS TO SEND CLAIMS
1 AMERICA SQUARE BUILDERS
LIMITED (IN LIQUIDATION)

NOTICE IS HEREBY GIVEN, that the creditors of the above-named company are required on or before 25th March 1993 to send in writing their claims and addresses and the nature and substance of their claims, if any, to T R Harris and C J Hughes, both of Coopers & Lybrand, 20 St Andrew's House, London EC4A 3AY, the joint Liquidators of the said company, and, if so requested by notice in writing from the said Liquidators, or by their solicitors, to produce such further details or produce such documentary or other evidence as may appear to the Liquidators to be necessary. A creditor who has not proved his claim before the date mentioned above is not entitled to dissent, by reason that he has not participated in it, in the intended distribution mentioned above or any other distribution before his claim is proved.

Dated: 26 February 1993.
Signed: T R Harris, John Hughes

Company Number: 174756

1 AMERICA SQUARE BUILDERS
LIMITED

At an extraordinary general meeting of the Company held at the offices of PricewaterhouseCoopers, 65 Fleet Street, London EC4A 3DF on 26 February 1993, the following Special and Ordinary Resolutions were duly passed:

SPECIAL RESOLUTION

THAT the Company be wound up voluntarily.

ORDINARY RESOLUTION

THAT Christopher John Hughes and Timothy Richard Harris of Coopers & Lybrand, 20 St Andrew's House, London EC4A 3AY be and are hereby appointed joint Liquidators for the purposes of the aforesaid winding-up and any act required or authorised under any enactment to be done by the Liquidator as to be done by all or any one or more of the persons for the time being holding that office.

Signed: H. V. Williams
Chairman

In The High Court of Justice

Chancery Division No. 99945 of 1993

IN THE MATTER OF
LEIGH INTERESTS plc
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 3rd day of February 1993 presented to Her Majesty's High Court of Justice for the winding-up of the said Leigh Interests plc.

A copy of the said Petition will be furnished to any such person requiring the same by the undersigned solicitors on payment of the regulated charge for the same.

Dated the 4th day of March 1993.

White & Carter, Queensbridge House, 60 Upper Thames Street, London EC4A 3DF.

Solicitors for the above-named Company.

PERSONAL

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PEOPLE

Taylor to combine Textiles roles

Sir Christopher Hogg, an adviser to the Cadbury committee on corporate governance which recommended that the roles of chairman and chief executive be split, is handing the chairmanship of Courtlaids Textiles to current chief executive Martin Taylor.

"Cadbury is not doctrinaire on the subject," Hogg argues. "Actually, I'm not in favour of combining the offices. I did it myself for ten years at Courtlaids for the first half of that period. The argument for it was very strong. In the second half, much less so."

The decision to make 40-year-old Taylor chairman appears largely to have been dictated by the fact that the obvious candidate, non-executive director Anthony Hitchens, had made clear he was unavailable.

"First, he has an enormous amount on his plate," says Hogg. "and moreover, whereas he felt very comfortable making sure there was no abuse of power, he thought that after



three years on the board he did not know enough about the industry to be able to supply the strategic vision required of a chairman."

Hitchens is chairman of MB Caradon and Y J Lovell Holdings, and has some ten other non-executive directorships.

Of Taylor, a Courtlaids high-flyer and former Financial Times journalist, Hogg adds: "Martin is less of a potential power-abuser than anyone I can think of." Taylor, for his part, contends Hitchens is one of the most forceful non-exec-

utives he has met - "marvellous and terrifying".

The sudden death of 53-year-old Ian Rae has prompted further boardroom changes, with Andrew Harrison, 35, presently finance director, moving to take charge of home furnishings and the UK branded clothing business. Rae's domain, "it was perfectly clear to me he would either become the finance director of a much larger company or run a business," says Taylor, who acknowledges that Rae's death forced his hand, and that he had been planning initially to give Harrison a slightly smaller "line" job than the current assignment.

Harrison is replaced by Pippa Wicks, 30, who joined from Bain & Company, also Harrison's training ground, two years ago as business development manager.

As if he were not busy enough, Taylor meanwhile signals that he will shortly pick up his first outside directorship - of an FT-SE 100 company in an unrelated business.

Argyll splits divisions

Argyll Group's decision yesterday to "tidy up" the relationship between its Safeway and Presto/Lo-Cost retailing chains and formally split them into two divisions has led to some management changes.

Patrick Kieran (right), an Argyll Group main board director and current managing director, Safeway operations, has become managing director of the Safeway Stores division.

Kieran, 54, has 36 years' experience with Safeway, and since the chain's acquisition by Argyll six years ago, has been responsible for Safeway's retail operations. During that time, the number of stores has increased from 133 to 340 and selling space more than tripled

from 2m to 7m square feet. His role will embrace trading, marketing and support functions for the first time.

Logan Taylor, currently managing director, Safeway trading and marketing, becomes the division's deputy managing director.

In the newly-created Presto and Lo-Cost Stores division, Charles Lawrie, the Argyll director who has been responsible for these stores for seven years, is appointed managing director.



Sir Bryan Nicholson, 60, who recently retired as chairman of the Post Office, has been nominated as deputy president of

the CBI. Assuming his nomination is confirmed at the annual meeting on May 19, Sir Bryan will serve as Sir Michael Angus's deputy until he takes over the presidency in May 1994 for a two year term.

Like Sir Michael, Sir Bryan started his career at Unilever. A former chairman of Bank Xerox, he later joined the public sector as chairman of the Manpower Services Commission and then of the Post Office from 1987 to 1992. He is currently chairman of BUPA and Varsity Holdings as well as a non-executive at GKN.

Amstrad's new non-executive

Jeff Samson, a former senior GEC executive, has been appointed a non-executive director of Amstrad.

During Alan Sugar's unsuccessful attempt last December to buy back the shares he did not already own, he agreed to appoint two non-executive directors to the board. After the bid was defeated by shareholders, Amstrad advertised for one applicant with sufficiently senior experience to be able to "appraise all financial aspects of the company", and another who "should be an industrialist with a consumer product manufacturing background, or be highly experienced in the distribution of consumer products to trade customers".

Samson fits both categories. He has considerable experience in the UK industrial electronics and consumer products industry gained with Plessey, Standard Telephones and Cables, where he was a main board director, and more recently at GEC, where he was managing director of Hopkint and later managing director of GEC's consumer products group from 1985 to 1989.

Samson, now 64, subsequently joined Vale and Valor where he was group managing director until two years ago when the group was acquired by Williams Holdings.

Last August he joined the board at Hunterprint, the loss-making specialist printer, as a non-executive director after Sir Ian MacGregor was ousted as chairman, and in November became part-time chairman working alongside Tony Caplin, Hunterprint's chief executive, on the rescue operation.

Commenting on his appointment yesterday Samson said it was "very challenging, but a tremendous opportunity". He was selected from a shortlist of 16 candidates drawn up by ProNed, the organisation which promotes non-executive directors. Amstrad's board is continuing to interview short-listed candidates for the second non-executive post.

■ Graham Pimlott, chairman of the corporate finance division of BZW, at TESCO.

■ Michael Julien, former chief executive of Storehouse until last summer, at Medeva.

CONSTRUCTION CONTRACTS

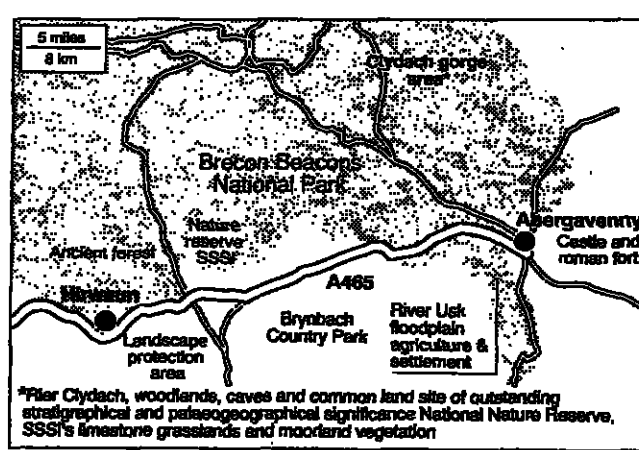
Upgrading trunk roads in Wales

ACER CONSULTANTS, based in Guildford, Surrey, has been awarded the route study commission for the proposed dualing of the A465 heads of the valleys trunk road, between Abergavenny and Hirwaun in south Wales.

The scheme, planned at an estimated cost of £145m, was originally announced in May 1991 as part of a £460m expansion of the Welsh Office motorway and trunk road programme.

Acet's study will address the objectives of the scheme, which are to provide dual-carriageway traffic capacity by developing environmentally acceptable and safe proposals. The timing of construction will also be considered and the study will advise on priorities and whether the work should be phased.

The study includes a section



with particularly difficult topographical, geotechnical and environmental problems in the Clydach Gorge, between Abergavenny and Brynmawr, where it also passes through the Brecon Beacons National Park.

The tunnelling company of

TRAFFALGAR HOUSE CONSTRUCTION has won a design and construct contract in north Wales to build a £410,000 fish pass around the Conwy Falls, near Betws-y-Coed.

The fish pass is designed to restore stocks of salmon and trout in the upper reaches of the River Conwy and its plans have been under discussion for 10 years.

The company and its consulting engineers, Donaldson Associates, won the contract after submitting an alternative proposal to the Conwy Trust and the National Rivers Authority.

The fish pass has been specifically designed so as not to spoil the scenic beauty of the

area and trees which have to be removed while work is in progress will be replanted.

The pass will consist of a 48 metre tunnel containing 28 separate pools to allow the fish to move upstream. As the river prevents access to either end of the tunnel, work will commence with the sinking of a 14 metre deep circular access shaft adjacent to the falls.

From this shaft the company will drive a tunnel 15 metres uphill and 33 metres downhill without breaking through to the surface.

All the work on the shaft and tunnels will involve hand drilling and blasting with debris being removed by a grab mounted on the end of a crane. The breakthrough will form

the last stage of the project as water must be kept out of the tunnel to allow the construction of the pools.

The pools will be formed from reinforced concrete and will be about three sq metres, allowing the energy of the water to be dissipated and making the fish's 13 metre ascent easier.

The level between pools will be 500mm and a notch will be carved in the tunnel wall to assist the fish's climb. Walkways will be installed over the pools and will be reached via the original access shaft which will be capped and covered with a manhole. The scheme will be completed in time to attract fish migrating upriver in the autumn.

£11m orders won by Mowlem company

Construction work worth more than £11m has been won by MOWLEM SOUTH WALES, part of John Mowlem Construction.

The largest project is a £5.44m contract from Severn Trent Water which will improve the quality of water in the Forest of Dean, Cheltenham and Gloucester areas. The work, at Mitchelldean in Gloucestershire involves the construction of three pumping stations, new filters and holding tanks and extending clarifiers. Work has started for completion in December.

In Swansea the company has won a £3.2m contract from The

Post Office to construct an automated processing centre within a 6,000 sq metre unit at Enterprise Park, Swansea.

All the machinery will be stripped out and a new scheme installed together with one and two-storey offices, welfare areas, warehousing and loading bays. Work has started for completion in June next year.

In Llanelli Mowlem South Wales has been awarded phases 1 and 2 of the improvement of the pedestrianised shopping centre of Llanelli. The £1.2m contract, for Llanelli Borough Council, comprises laying drainage and York stone paving, together with the erection

of ornamental tubular steel canopies to the shop fronts. The canopy supports also form street lighting posts and drainage down pipes. Completion is due in May next year.

Other contracts include two workshop units at Thornton Business Park, Milford Haven, for Preseli Pembrokehire District Council (£389,000); an extension to the Selwyn Samuel Indoor Bowls Centre, Llanelli for Llanelli Town Council (£238,000) and a day centre at Swansea General Hospital (£291,000) and the refurbishment of Unity House, Lampeter (£225,000).

Burnley hospital scheme

LG MOUCHEL PARTNERS has been appointed by the Burnley Health Care Trust, as civil and structural engineer for the £6m Phase IV development of Burnley General Hospital. The scheme comprises four new nuclear temples.

Accommodation will be provided for paediatric, surgical day case, ear, nose and throat and oral surgery and general acute wards.

Sofia airport

HALCROW AIRPORTS GROUP has been commissioned to produce a master plan for the development of Sofia International Airport. The airport is to be developed as an extension of the airport 6km east of Sofia city centre.

The master plan will take account of a phased development programme.

Bangkok hotel

EC HARRIS has been appointed project manager and quantity surveyor by joint clients Accor and Euromill Hotel Group for the construction of a 215m Novotel hotel in the Bang-Na district of Bangkok, Thailand.

Architects are the Bangkok-based A47 and the project is scheduled for completion in June 1994.

Sussex store

MJ GLEESON GROUP has been awarded the contract to build a superstore for J Sainsbury at Lyons Farm, Lyons Way, Worthing, Sussex. The contract, worth in excess of £7m, includes a petrol filling station, a rentable retail unit and coffee shop.

Scottish work

WIMPEY CONSTRUCTION SCOTLAND has picked up seven contracts totalling more than £13m for clients in the Clydebank and Glasgow area. The largest is a £5.5m development to build a 9,500 sq metre retail park in Coatbridge for food retailers, William Low.

The scheme includes a 5,200 sq metre store and a 3,750 sq metre retail unit and garden centre for Texas Homecare.



WWF World Wide Fund For Nature
(formerly World Wildlife Fund)
International Secretariat, 1196 Gland, Switzerland

Outside the industrialised west, no-one has to be told to respect their elders. It's simply the way society is organised.

Which is why WWF - World Wide Fund for Nature tries to work with older people in the villages of the rainforests. With WWF's help, they learn to teach the younger members of their communities about conservation. In Kafue Flats, Zambia, it's Chief Hamusonde (93).

Chief Bakary (78), is our man in Anjevo-muhavutu, northern Madagascar.

In Ban Klung Sai, Thailand, we invite the Venerable Papasro Bhikkhu, seventy-three year old chief Buddhist monk.

This isn't just expediency, it's how WWF believes conservation projects should be run.

Before you teach someone, we believe you have to learn from them.

We spend years visiting village after village, talking to the people, listening to them, living with them, understanding how they live their lives.

Only then are we able to gain the confidence of the village elders.

Once they realise we're on their side, our elderly converts promote conservation with a zeal that belies their years.

"Uncle" Prom (68), another of our Thai community leaders, tells us that he frequently gets scolded when he starts telling people in the market that they should leave the forests alone. But he gets results.

Uncle Prom and his fellow villagers recently managed to prevent a new logging concession, and set up a community forest where tree felling is now forbidden.

Ninety-three year old Chief Hamusonde also makes things happen.

Income from the Kafue Flats game reserve in Zambia is funding a school, a clinic and new water boreholes for the local villages.

In Madagascar, seventy-eight year old Chief Bakary's village makes a profit by selling fruit grown in their new tree nursery.

More importantly, Chief Bakary's village now takes fewer trees from the rainforest because the nursery can provide firewood and poles for construction.

Not that we don't believe in catching them while they're young. WWF also organises special training courses to help teachers incorporate conservation into the curriculum.

20,000 primary teachers in Madagascar have already taken part.

And WWF produce teaching aids as well as teachers.

We commission educational factsheets, booklets, posters and videos in over twenty different languages.

These are distributed to schools and colleges all over the world.

If you can

help our work with a donation or a legacy please write to the membership officer at the address opposite.

You only have to look around you to see that the world still has an awful lot to learn about conservation.



HE'S JUST ABOUT OLD ENOUGH FOR OUR TEACHER TRAINING PROGRAMME.

هكذا من الأفضل

Malcolm X, Spike Lee's movie portrait of the black activist who spent 12 years fire-breathing for the Nation of Islam until his assassination in 1965, is three hours 20 minutes long. At the end we are still not sure what we are supposed to have been watching. Propaganda? Biography? Social history? Indignation-as-cinema?

A diffuse mixture of all three is the answer. Aiming to appeal to the widest possible movie constituency, Lee has made the blandest possible movie. And perhaps, once a major studio (Warner) and major star (Denzel Washington) were involved, plus an expanding budget into which everyone from Time Warner to the Reverend Jesse Jackson threw bundles of money, the writing was on the wall. In the finished movie, the "X" in Malcolm X comes to stand not for the shock-horror lexical sign scrawled on the poster but for that characterless all-purpose cipher we use in equations.

X for Mr. Everyman. X for Take The Cardboard Political Hero You First Think Of and then multiply by four: one for each of the serial guises Denzel Washington adopts as we traverse the stations of the black prophet's cross. Lee's film begins in a stylised 1940s America, with a swooping/cracking camera, a zoo-suited young hero and his pal (played by Spike Lee) and a dance-hall scene that could have strayed in from John Waters' *Hairs*. This is a flippant and wistfully disingenuous way to lead up to Malcolm's start in life as a street pimp and petty crook.

Then we follow our hero into the slammer. Film noir menace; gritty close-ups; picture of a black man hardening to the punitive reality of the white man. The movie's third and most sustained Malcolm comes next. A meeting with a fellow-prisoner leads him to Nation Of Islam leader Elijah Muhammad and confirms our man in his fire-brand vocation as a race-war orator. Soon we are off into the street marches backed by inspirational music; the streams of anti-white invective; the famously brusque response to JFK's assassination ("The chickens have come home to roost"); and the media Malcolm who bursts into the TV and newsreel age to make the sound-bite bite.

But already, here in the film's sprawling midsection, we are hearing a simultaneous and different sound: that of a filmmaker trying to retreat at the same time that he advances. While not overtly distorting the facts about his hate-prophet protagonist, a Spike Lee aware of how many non-black people he must keep from stomping from the cinema if he is to make his money back increasingly muffles those facts. The "chickens" quote, for example, is hidden half-audibly inside a montage of sounds and images conveying the post-Dallas frenzy. And the words for Malcolm's street speeches are delivered by Denzel Washington with actorly skill rather than incendiary *flap* - and are nearly all taken from his less virulent orations.

Lee, of course, could defend this blinding-out of the middle-period Malcolm by citing the fourth and last Malcolm: the man who went to Mecca in 1964, a year before his death, and came back a changed, more peaceable man.



Denzel Washington as Malcolm X meets Elijah Muhammad in Spike Lee's film

Cinema/Nigel Andrews

Radical chic, not racial rage

Plucking a new name from the Arab thesaurus - El-Hajj Malik El-Shabazz - he renounced his separatist views. Thanks to this lucky accident of history the film can segue its dismayingly emasculated pre-'64 Malcolm into the authentically emasculated figure of the last year. Then it is into the Audubon Ballroom, New York, for the glorifying martyrdom by Nation of Islam assassins.

Malcolm X achieves the remarkable feat of taking a confrontational hero and never really confronting him. Good or evil, crackpot or calculating, Malcolm X raised the emotional stakes of the civil rights debate. A man who made slap-in-the-face speeches deserves a film with moments of slap-in-the-face impact.

But *Malcolm X* is radical chic in the worst sense. It turns its hero into a tie-in product of yesterday's agitprop fashions, beautified and beatified today by the casting of Denzel Washington. This actor has become today's answer to Sidney Poitier: he is almost impossible to view in any light other than Mr. Nice Guy. *Malcolm X* should have been a questing, provocative movie about the limits - or non-limits - of racial indignation. It should have kept alive the dramatic torch it lights in the inflammatory opening credits sequence, as the American flag is crossed out with footage of the Rodney King beating. Instead it becomes a mixture of *Black Gandhi* and *Guess Who's Coming To The Assassination*. The chickens, instead of coming home to roost, are allowed to chicken out.

Toys belongs to that genre of allegorical fiction summarisable as "All The World's A (supremely missing word)". Where Orwell gave us the world as an animal farm, Fritz Lang as a futuristic

city, Swift as a package tour to Parableland, writer-director Barry Levinson opts for a toy factory. The "Zevro Toys" plant puffs away on the skyline, like a power station built from from play-blocks. Here funny-innocent Leslie Zevo (Robin Williams) and his funny-robotic sister Alasia (Joan Cusack) strive to carry on their late-deceased Dad's tradition of fertile, simple-hearted inventions.

But lo! Trouble in Paradise. Dad, it transpires, has willed the place to their barking mad uncle, General Michael Gambon. He - a Dr Strangelove with extra weight and a funny accent - wants to turn Zevo Toys into Zevo Weapons.

MALCOLM X (15)
Spike Lee
TOYS (PG)
Barry Levinson
CONSENTING ADULTS (15)
Alan J. Pakula

The Oscar-nominated costumes and designs steal the show. Not only that: they throw a honking great brick through the flimsy plot and leave a mess of shattered ideals. Levinson nursed this pet project apparently for 12 years, all through grown-up films like *Good Morning Vietnam*, *Rain Man* and *Bugsy*. But the movie as now realised is poised between the arch and the preachy. While the design caprices constantly bewitch our eyes - the country mansion that opens like a picture-book, the factory wing shaped like a giant elephant, the hilly green corridors with crossings for toy ducks - the message delivered to our ears is less winning. It

should say "Be innocent." Instead, scrambled by infantilist sentimentality, it sounds more like "Be winsome, whimsical or retarded."

Americans, being innocent anyway, cannot "do" innocence. Thinking it something separate from themselves, they caricature it. Cusack and Williams both mug and wisecrack bravely to avert cynicism - Williams alone is a one-man Wright brothers in his bid to achieve verbal flights-of-fancy despite the sticky terrain - but they keep seizing up in whimsy. What can a grown actress do when required to go night-nights in a giant lacy-fringed cradle?

Our own Mr Gambon thrives best, as the heavyweight cuckoo lumbering into the alien nest. The Gambonic use of eyebrow and slow-cracked nasal drawl, even the hardworking American accent (given a brief early soliloquy of comic justification), help to give the film what it most needs: not more mercurial comic lightness but a large chunk of deranged comic solidity.

Finally, here is a structural breakdown to assist you in enjoying *Consenting Adults*. Or in deciding if you want to go at all. First part: mildly hypnotic tale of clean-living couple (Kevin Kline, Mary Elisabeth Mastrantonio) led into criminal and sexual temptation by new neighbour and wife (Kevin Spacey, Rebecca Miller). Second part: loony thriller in which Kline chases evil Spacey across Carolina while the womenfolk sit around twiddling their thumbs. Third part: end credits and dawning realisation that there were even more holes and inanities in the plot than you first thought.

Alan J. Pakula, who once made *Kluge*, directed Matthew Chapman, who once made *Strangers With Candy*. How are the mighty fallen on hard times.

London Theatre

Fugard's 'Playland'

Athol Fugard's *Playland* is the best play to arrive in London since Tony Kushner's *Angels in America* at the Royal National Theatre last year. The piece has a seriousness of purpose and a tautness of writing seldom seen on a European stage. It is not just that the subject matters, though of course it does: everything in the production lives up to it.

Fugard, the South African playwright now in his early sixties, has a prolific output behind him. His last play at the National, *My Children! My Africa!* was a relative flop, partly because it was written before, but presented after, the release of Nelson Mandela. In *Playland* Fugard returns to being the dramatic chronicler of his times: the man who can present hope out of despair.

The background is the war in what used to be called South West Africa - South Africa's Vietnam. It is new year's eve 1989: the war is over. Two characters come together outside a farmhouse. One is a white South African former corporal whose experience of killing has left him an emotional wreck, but also perhaps a wiser man. The other is the black nightwatchman, who has been guarding the farm for years.

They talk: or rather at the start the white man talks almost to the point of

monologue. He is not especially bitter. He accepts that blacks and whites will have to live together. Gradually, however, there is a role reversal: the watchman begins to talk.

The ostensible subject is killing. The watchman believes the sixth commandment: "Thou shalt not." The white cannot get over seeing a record 27 members of SWAPO killed and buried by his unit on one day. But the black, too, has committed murder: he killed a white man for attempting to sleep with his woman. Moreover, despite his belief in the commandments, he is not sorry and would do it again.

Fugard is now a master of dialogue. The facts about both characters slip out. Sometimes they revert to an atavistic past. The white claims there is nothing wrong with a white man taking a black woman against her will: "That's how little white boys learn to do it. And you know something else: the women like it." Sometimes the watchman simply wants the white to go away.

Yet the antagonism that occasionally breaks out is not the whole theme. The underlying point is about mutual dependency, liking the same things, such as the freedom to watch the birds in the South African skies and

to laugh not the "laughter of lies".

Most impressive of all, none of this is piously done. There is no suggestion that all whites have learned the same lesson from the war. Indeed the white soldier now feels estranged from his own people. Here are simply two individuals talking.

Fugard leaves no doubt, however, that they are both identifiably South Africans, and know it. The skill with which he does this is shown in the language. They have begun to share words and accents. This is almost the first time that I have found an Afrikaans accent on stage sympathetic.

The acting by John Kani as the black and Sean Taylor as the white is impeccable. Fugard himself directs down to his fingertips and there should be a special prize for the lighting - note the coming of dawn - by Mannie Manlin. The Donmar Warehouse, small like the Market Theatre in Johannesburg, is exactly the right place for *Playland*.

Malcolm Rutherford

Donmar Warehouse until April 17. (071) 867 1150



Hope out of despair: John Kani and Sean Taylor

Dominican 'Running Dream'

In *Running Dream* Trish Cooke has gone in search of her Caribbean roots. Her family came over to England from Dominica, a tiny island with a distinctive Anglo-French culture. Through the characters of grandmother, mother and daughters, Cooke conjures with times past, times present, memory and reality.

It is more an evocation of mood rather than drama. When Florentine (Claudette Williams) chases William (Wilbert Johnson), the father of her two girls, to England she takes one child, Grace (Sherline Chamberlain) with her, leaving the other, Clementine (Marianne Jean-Baptiste), behind to be looked after by her grandmother. Many years later Grace travels back to Dominica to find her home.

Dominica is full of light and

sparkle, childish games and casual courtships. England, the place of promise and achievement, offers sickness and materialism. It is no contest, especially when Dominica has all the best tunes. The most uplifting moments are when the excellent cast break into song or into the local patois, an intriguing creole of English, French and African.

Andrea Montag's simple wooden verandah set suggests heat and warmth in Dominica; imprisonment in England. The evening would have been livelier if the plot had matched the atmosphere, but events are touched upon rather than investigated. The transience of Caribbean men is well illustrated by their fleeting appearances on stage. William gives Grace one more child Bianca (Cathy Tyson) on her arrival in

England, and then only pops up again at her death bed to urge a belated return to the island of innocence.

The character of Bianca, the successful English woman, is only lightly sketched and one doubts whether she will be really happy back in the ancestral village. More could have been made of local folk lore and music but director Olusola Oyeleye certainly lifts you away from bleak Stratford. The play does not preach, does not judge. It offers what must have been one of the largest gatherings of Dominicans in London an instant plug into their folk memory. They loved it.

Antony Thorncroft

Theatre Royal, Stratford East: 081-534 0310

Dance/Alastair Macaulay

Philippe Genty's 'Forget Me Not'

feet kept moving gracefully." (Genty soon put a stop to that, by the way.)

Genty is an illusionist. Watching his work is simple, and often pleasurable. When his illusions are at their best, they achieve far greater poetic eloquence than his blurb, and even when they are feeble, his spiel misses the mark. In *Forget Me Not*, he and his seven performers conjure up vision upon vision. Sometimes we see how the illusion is achieved, as when, early on, we discern that half the 14 people in evening dress are in fact life-size puppets; and then we laugh. Sometimes, as when one woman is suddenly replaced out of thin fabric by another, we do not

know how it is done; and then we are amazed.

Forget Me Not has three dominant metaphors: the connection between people and apes; that between people and puppets; and the emergence of people from base material. We see an ape in an evening dress watching all the rest of the spectacle, and we see figures in evening dresses suddenly acquiring ape heads. Genty means some *Planet of the Apes* idea here, but he seldom develops it interestingly. And the person/puppet theme is too thinly developed - despite marvellous incidents. Humans turn into dolls, and vice versa; or humans are confronted by lifelike, life-size puppets, by

Gargantuan teams, by Lilliputian replicas.

But the show does become extraordinary - a Darwinian nightmare - in the scene when we see people locked like larvae into what look like lumps of clay. Gradually three women break free, like butterflies from chrysalis form. By then, however, we see that the clay lumps move, are animated; that they are in fact some kind of huge amorphous slugs. Then the slugs coalesce, to become a heavy, dull, five-legged creature with a huge body, which threatens to consume humans. Later, we see people trapped in other clay-like amoeba, meshed to it by horrid membrane and sucked

back into the bowels.

"This is not just dance," says Genty's programme staff. Actually, this is just not dance - though it contains bits of social dance and acrobatic movement and is wordless. It is less like dance than Piliobolus (which it resembles or imitates), because it has no particular overall rhythmic coherence. It also lacks the dream logic to tie its metaphors into a fluent work of theatrical art.

A pity. The eloquence of its best passages turns out to be just a passing effect. And the occasional cuteness of French humour is another problem.

Forget Me Not is really just an absorbing circus trick. You cannot help wishing (like Genty) that it were something more.

Sadler's Wells until March 13



ATHENS

Concert Hall Tonight: stage productions of Weill's *Mahagonny Songspiel* and *Happy End*. Sat: Theodor Antoniou conducts works by Greek composers. Sun: Anca Ratu plays violin sonatas by Enescu, Beethoven and Prokofiev. Mon: Anne Sophie Mutter, accompanied by Philip Moll, plays violin sonatas by Lutoslawski, Schubert and Beethoven. Tues: Sergiu Nastasa violin recital. Wed: Luminia Macavei violin recital. Next Thurs: Agnes Baltas sings in *Cavalleria Rusticana* (722 5511)

BARCELONA

OPERA Peter Brook's Debussy adaptation, *Impressions de Pelléas*, can be seen at Mercat de los Flors daily till Sun (318 8598). Next production at Gran Teatre del Liceu: *Carmen* opening on March 17 (412 3532) CONCERTS Meir Minsky conducts Barcelona

City Orchestra at Palau de la Musica on Fri, Sat and Sun morning, in a program including Chopin's First Piano Concerto (Bella Davidovich) and Shostakovich's First Symphony (268 1000)

BOLOGNA

Teatro Comunale Tonight, Sun afternoon, Tues: Bruno Bartoletti conducts final performances of Elijah Moshinsky's production of Simon Boccanegra, with alternating casts including Renato Bruson, Roberto Scandolizzi and Lucia Mazzaria. March 15: Shura Cherkassky. March 23: first night of Adriana Lecouvreur (529993)

FLORENCE

Teatro Comunale Tomorrow and Sun afternoon: Spiros Argiris conducts final performances of the Ponnelle/Cologno production of Die Frau ohne Schatten, with Robert Schunk, Sabine Hass, Bernd Welki, Janis Martin and Hanna Schwarz. March 18: first night of La Cenerentola (277 9236)

LONDON

THEATRE ● The Importance of Being Earnest: Maggie Smith, Alex Jennings and Susannah Harker in Oscar Wilde's most popular comedy. Nicholas Hytner directs. Now in previews. Press night on Tues (Aldwych 071-836 6404) ● Carousel: a triumphant revival of the Rodgers and

Hammerstein musical. Till March 27 (National Theatre 071-928 2252)

● Playland: Athol Fugard directs British premiere of his latest play with John Kani and Sean Taylor, leading actors from Johannesburg's Market Theatre (Donmar Warehouse 071-867 1150)

● Hamlet: Kenneth Branagh stars in Adrian Noble's uncensored version of Shakespeare's play. Transfers to Stratford after March 11 (Barbican 071-638 8991)

OPERA Covent Garden Colin Davis returns to the Royal Opera to conduct first night of Harry Kupfer's new production of La Damnation de Faust on Mon (in repertory till March 25 with cast including Olga Borodina and Samuel Ramey). Gwyneth Jones sings title role in Andrei Serban's production of Turandot tonight. Sat, Tues and next Thurs. Tomorrow: il barbiere di Siviglia. Wed: Royal Ballet triple bill including David Bintley's Tombeaux and Forsythe's In the Middle (071-240 1066)

Coliseum ENO repertory consists of The Mikado tonight. Rigoletto tomorrow and next Wed and Don Pasquale on Sat (071-836 3161) Sadler's Wells Compagnie Philippe Genty daily except Sun and Mon till March 13 (071-278 8916)

CONCERTS South Bank Centre Tonight: Leonard Slatkin conducts Philharmonia Orchestra in works by James MacMillan, Prokofiev and Shostakovich, with piano soloist Evgeny Kissin. Tomorrow:

Rafael Frühbeck de Burgos conducts Vienna Symphony Orchestra in Mahler's Third Symphony. Sat: Slatkin conducts works by Britten, Walton and Milner. Sat in QE Hall: Edward Downes conducts Verdi's Aroldo. Sun afternoon: Lazar Berman piano recital. Mon: Chick Corea. Tues: Neville Marriner conducts Philharmonia Orchestra, with piano soloist Alfred Brendel. Wed: Peter Maxwell Davies conducts RPO. Wed in QE Hall: 11 (Barbican 071-638 8991)

ENLIGHTENMENT plays Boccherini. Next Fri: Rattle conducts CBSO (071-928 8800)

Barbican Tonight: Mstislav Rostropovich cello recital. Sat: Gershwin evening. Sun afternoon: Evgeny Kissin piano recital. Sun evening: Rostropovich conducts LSO in works by Britten. Mon: all-Elgar programme conducted by Charles Mackerras. Tues: David Atherton conducts Beethoven and Tippett, with piano soloist Stephen Kovacevich. Wed: Orchestra of Flanders. March 14: Rostropovich conducts Peter Grimes (071-638 8891). Tomorrow at St John's Smith Square: Ely Ameling is soloist in Bach concert with Academy of London. Sun: English Baroque Choir sings Allegri, Bach and Poulenc (071-222 1061)

● MADRID Auditorio Nacional de Musica Tonight: Marisa Tenzini piano recital. Tomorrow, Fri, Sat: Walter Weiler conducts Spanish National Orchestra in works by Arriaga, Weber and Schubert, with clarinet soloist Enrique Perez Piquer (337 0100).

● MILAN Teatro alla Scala Tomorrow: Alfredo Kraus song recital. Sat: Riccardo Muti conducts revival of Giorgio Strehler's production of Don Giovanni, with William Shimell, Carol Vaness and Cecilia Bartoli (runs with alternating casts till March 20, next performances on Sun, Tues and Wed). Mon: Ulf Schirmer conducts Orchestra of La Scala in works by Mozart and Bartok (7200 3744)

● ROME Teatro Olimpico Tonight: Petersen Quartet plays string quartets by Beethoven and Schubert. Next Thurs: Dmitri and Vladimir Ashkenazy (323 4890) Teatro dell'Opera Tonight, Sun, next Wed, Fri and Sun: Die Fledermaus (sung in Italian). Mon: Krzysztof Penderecki conducts Sinfonia Varsovia in works by Prokofiev, Penderecki and Beethoven. Next Thurs:

● GENOA Teatro Carlo Felice Tonight, Sun afternoon, next Tues and Sun: Jan Latham König conducts Alberto Fassini's production of Roberto Devereux, with alternating casts including Raina

Kabaivanska, Gloria Scalchi and Vincenzo La Scala. Tomorrow and Sat afternoon: Antoni Wit conducts orchestral works by Scriabin (589329)

● PRAGUE CONCERTS ● Sat in Smetana Hall: Rudolf Kahrer piano recital. Next Wed: Prague Symphony Orchestra in works by Hauer, Beethoven and Brahms, with violin soloist Corey Cerovsek (232 2551)

● Mon in Dvorak Hall: Guarneri Trio plays piano trios by Fiser, Beethoven and Brahms. Next Wed: Winan Quartet plays works by Haydn, Britten and Ravel (286 0111)

● OPERA ● National Theatre has La bohème tomorrow and Sun. The Bartered Bride on Sat and La forza del destino on Tues (205364). Estates Theatre has performances of Le nozze di Figaro tonight, next Wed and Fri, and Don Giovanni on March 28, 29 and 31 (228858)

● Prague State Opera has Delibes' ballet Sylvie tonight, Salome tomorrow, L'elisir d'amore on Sat, Les Contes d'Hoffmann on Sun, L'italiana in Algeri on Tues and Tosca on Wed (265353)

● TURIN Teatro Regio Tomorrow and Sun afternoon: Bruno Campanella conducts Lluís Pasqual's production of Falstaff, with Leo Nucci. Mon: Cecilia Gasdia song recital. March 23: first night of Jerome Savary's production of Die Fledermaus (5815 214)

European Cable and Satellite Business TV (All times are Central European Time)

MONDAY TO THURSDAY Super Channel: European Business Today 0730; 2230

MONDAY Super Channel: West of Moscow 1230. Super Channel: Financial Times Reports 0630

WEDNESDAY Super Channel: Financial Times Reports 2130

THURSDAY Sky News: Financial Times Reports 2030; 0130

FRIDAY Super Channel: European Business Today 0730; 2230 Sky News: Financial Times Reports 0530

SATURDAY Super Channel: Financial Times Reports 0930 Sky News: West of Moscow 1130; 2230

SUNDAY Super Channel: West of Moscow 1830 Super Channel: Financial Times Reports 1900 Sky News: West of Moscow 0230; 0530 Sky News: Financial Times Reports 1330; 2030

Pleasing most people part of the time



The rapid growth of part-time and flexible work is one of those rare economic trends that seems to benefit everybody.

Companies gain more adaptable, more committed and cheaper workers. Employees gain greater variety in choosing when and for how long they work, which is especially useful to the growing number of women workers struggling to combine work and family responsibilities.

About a quarter of all UK employees are now defined as part-time - meaning they work fewer than 21 hours a week - and the trend is upwards. The Institute for Employment Research at Warwick University estimates that by the year 2000 1.2m full-time jobs in manufacturing and utilities will disappear and 2m service-sector jobs will be created, about half of which will be part-time.

The trend may not seem benign to the 3,000 full-time employees at the Burton and BHS retailing chains who have been told in the past few weeks that their jobs are being converted into part-time ones. It will be especially bad news to those workers who are the only breadwinners in a household.

But the large majority of part-time workers are not in that position. They are most often women (4.6m women compared with 1.1m men) working in relatively low-paid service-sector jobs and living in households with two wage-earners - now the most common kind.

It is true that a small number of part-timers would prefer to work full-time. But, according to surveys by the Equal Opportunities Commission, most express greater satisfaction with their jobs than full-timers and have a better record than full-timers on absenteeism and staff turnover. Reduced costs are an additional attraction for employers. According to one recent employers' study, part-time workers cost companies 12 per cent less an hour, on average, than full-time workers.

ABOUT TIME - The Revolution in Work and Family Life
By Patricia Hewitt
IPPR/Rivers Oram Press, £9.95, 183 pages

So where is the catch? According to *About Time*, the latest work from the Institute for Public Policy Research by Patricia Hewitt, former press secretary to Neil Kinnock, the problem is that while only about one in three employees now works a 40-hour, five-day week, most of the UK's employment laws and welfare regulations are based on that standard week.

As a result, about half of part-time women workers do not qualify for employment safeguards such as protection from unfair dismissal. About one-third of all part-timers earn less than the national insurance threshold of £54 a week which means that

Most part-time workers express greater job satisfaction than full-timers

employees are excluded from unemployment benefit, sick pay, and maternity pay. Many part-timers are also excluded from company pension funds and redundancy pay.

Despite these problems, Hewitt approves of the emergence of the part-time economy because it provides user-friendly working time - especially for working mothers and people nearing retirement.

She argues in her well-organised, if rather dense, book, for "fair flexibility" - keeping the varied hours and greater productivity of part-timers but giving them the same rights and pay, pro rata, as full-timers. She does not believe that making part-timers more expensive would curtail the supply of part-time jobs, and cites managers who say that flexible labour is more important than cheap labour.

That may be wishful thinking. Feminists might also take issue with the claim that part-time work resolves the

family/career dilemma for women, preferring instead better childcare provision and a fairer division of domestic labour between women and men.

The domestic burden has been spread more evenly in recent years, but only a little, and Hewitt's assumption that men will be happy to give up full-time work to share both the paid work and the domestic labour with women may be premature. As long as the majority of part-time jobs remain poorly paid and of low status many men will not find such employment an attractive proposition.

There are, however, some signs that part-time work is now gaining in status to reach managerial and professional jobs. Less than 3 per cent of employees in that category are now part-timers and it has traditionally been regarded as impossible to combine part-time work with a successful career. But given that the head of personnel at the Department of Social Security can successfully work part-time, a lot of other senior managers, at least in large organisations, ought to be able to follow suit. Better-paid professionals might also seek to trade pay for time off.

About Time does not claim that part-time work is a panacea for unemployment, rightly so, as many part-time jobs go to women who would not otherwise be active in the labour market.

But Hewitt does believe that part of the solution to Britain's unemployment problem lies in the redistribution of incomes and working time, through flexible and shorter hours, to those out of work. She also wants to see the benefit system reformed to make it financially worthwhile for people on income support to take part-time work.

Britain, along with Denmark and the Netherlands, is likely to remain a world leader in the creation of part-time jobs in the 1990s. For that reason, Hewitt's proposal of "fair flexibility", something that the best employers are already implementing, deserves a higher position on the political agenda.

David Goodhart

An eminent Cambridge economist of yesterday, Sir Dennis Robertson, once wrote that if you remained in the same place long enough economic fashion would eventually catch up with you. But it is still worth glancing at the most recent phases of the fashion cycle when they are used to rationalise the latest economic policy shifts.

An instance is the whole group of theories known by the unwieldy name of "endogenous growth", of which you will hear more. For they have been called into play in relation to some Clinton policies, above all the investment credits proposed in the president's fiscal package. These theories are also cited by the French Commissariat General du Plan, which is still alive and kicking, but as a source of long-range analysis rather than of immediate policy.

There is nothing particularly new about the policy thrust of endogenous growth theory, which is to support government efforts to boost investment. Such efforts were regarded by many development economists as the key to growth in the postwar decades, and their critics long ago devised the name "growthmanism" as a putdown. Nevertheless, less plans to boost investment or savings, separately or together, were the mainstay of many development plans prepared for third-world countries, with disappointing actual results. In Britain, Reginald Maundling, who was Conservative chancellor from 1962 to 1964, boasted that British investment incentives were superior to any in the west.

The pendulum later swung against so much emphasis on investment, partly because of disillusion with its fruits and partly because of greater emphasis among policymakers on open trade policies, deregulation and the development of attitudes and skills favourable to growth.

Mainstream economic theory was also called in aid by the sceptics. The reasserted orthodox view was that the growth of output depended on technical progress and the growth of the labour force. Investment was necessary to support this growth, but any attempt to force the pace by installing capital more quickly would lead to rapidly diminishing returns.

Scepticism about the effects of investment was also supported by more down-to-earth "growth accountancy", pioneered by an American econ-

ECONOMIC VIEWPOINT

Endogenous growth - treat with care

by Samuel Brittan

The gap between social and marginal real returns to investment

| Non-residential business sector | UK 1951-73 (Per £) | US 1948-73 (Per \$) |
|---|--------------------|---------------------|
| 1 Marginal social return | 0.123 | 0.130 |
| 2 less marginal taxation | -0.026 | -0.028 |
| 3 less learning externality | -0.044 | -0.054 |
| 4 less demand externality | -0.036 | -0.032 |
| 5 plus 'animal spirits' | +0.039 | +0.035 |
| 6 equals marginal after-tax return to typical shareholder | 0.055 | 0.051 |

Capital and output 1900-79 (Average annual % changes)

| | GDP per capita | Non-residential capital stock per employee |
|---------|----------------|--|
| Germany | 2.2 | 2.4 |
| Italy | 2.5 | 2.8 |
| Japan | 3.1 | 2.6 |
| UK | 1.4 | 1.4 |
| US | 1.8 | 1.5 |

For explanation, see text. Source: Oxford Review of Economic Policy, Winter 1992

If these are eliminated by competition, the benefit to the customer of cheaper and superior products remains.

A third discrepancy arises from what is called the "demand externality". If all firms invest more, output and income will grow more

Both investment and innovation are parts of a single process. The true link is called entrepreneurship

quickly, thus increasing everyone's markets. On plausible assumptions about market structure, this will increase the returns to the original investment compared with what would have happened if one firm had invested on its own.

(This "demand externality" is not the same as the short-term stimulus to output which comes from interest rate cuts or budget deficits. It is rather the counterpart of a long-term increase in the economy's productive potential and therefore in its purchasing power.)

A fourth factor acting in the opposite direction - tending to exaggerate investment returns - is called "animal spirits". This has become a technical term to describe the tendency of professional management to pursue greater size and growth beyond the point which would maximise their shareholders' wealth. It is one distortion making for too much investment and partly offsets all the other forces making for too little.

Scott has deliberately chosen the postwar golden age for his table, when there really were such animal spirits. Since the 1973 oil shock, a negligible

amount would have to be allowed for them. But even in the earlier period, they were not enough to prevent the true estimated social return on investment from being twice as high as the private one.

The wiser exponents of "endogenous growth" are very cautious about recommending a helter-skelter drive to subsidise every kind of investment. Scott warns about the "scope for special interest lobby, not to mention corruption", if attempts were made to discriminate between projects on the basis of their contribution to growth. He concentrates mainly on the deterrents to savings in the tax system and on the case for a budget surplus to increase the national savings total. Even here, however, he is very cautious about making room for more capital spending unless investment actually increases to fill the gap, which "writing in the midst of a bad depression must be the immediate concern".

But it would be dishonest of me to stop with these prudential considerations. Many of the real world influences favouring growth are ignored by the new theorists. As the introduction to the Oxford Review remarks, "government thinking about reforms of the regulatory environment receives virtually no support".

Simply looking at the figures, it seems pretty clear that output, and investment rise roughly in the same proportion in most countries at most times. Investment seems to be a product rather than a cause of the growth process. Of course, some of the benefits of investment, as of the skillful use of labour or of other inputs, spill over to others beyond those directly responsible. This is a fact of economic life with which we can live.

The strongest aspect of the new theory is its opposition to the stark division between technical progress and investment in the older mainstream theory, which overlooks the important "learning by doing". But I am not convinced that putting all the emphasis on investment is right. Investment left to itself is just a cost; and I doubt if the key to prosperity is to throw bricks and mortar, machinery or research laboratories at problems.

Both investment and innovation are parts of a single process of seizing opportunities. The true link between these factors is surely entrepreneurship, which is equally ignored by the mainstream classical theory and its more interventionist challengers.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Reviving UK manufacturing by consensus

From Mr Roger Lyons.

Sir, It is significant that Mark Radcliffe of the CBI's National Manufacturing Council, in writing about the decline of manufacturing in the UK (Letters, March 1), has little to say about those who work in industry.

Yes, the government must play its part. Yes, the "best people" must be attracted into industry by spreading best practice. But nothing is said about those at the sharp end of the decline - the millions who still work in manufacturing and the millions who have lost their jobs in the last two recessions.

It is becoming widely acknowledged that we will not solve Britain's underlying economic problems without a reconstruction of our manufacturing base. But this will not be achieved by the sort of methods which became the accepted norm in the last decade. We need a consensus to grow and it needs to be based on frank and open discussion between the government and all who work in industry.

To quote Dr Carl Hahn, former chairman of Volkswagen, who spoke at the Royal Society of Arts in London last week: "Industry needs informed and

knowledgeable input from those working on the assembly line and shop floor - and that requires a new approach entirely to attitude, communication, to education, training and management."

Those are sentiments which MSF, as a union representing a quarter of a million skilled and professional employees in manufacturing industry, heartily applauds.

But how can that new attitude be fostered? Certainly not by management *diktat* or by ministerial disdain.

In our industrial strategy document, Manufacturing Matters, to be launched next week,

we call for the Department of Trade and Industry to establish a manufacturing forum to start the dialogue. It would allow Britain's social partners to forge a consensus on the causes of decline in manufacturing, the nature of the remedies and responsibilities for future success.

Can we expect the CBI's National Manufacturing Council to join us in pressing this proposal?

Roger Lyons,
General secretary,
MSF,
64/66 Wandsworth Common,
Northside,
London SW18 2SH

Community finance would give fillip to Merseyside infrastructure and training

From Mr Jack Stanforth.

Sir, It makes for easy copy to categorise Merseyside with Corsica ("Merseyside covets neighbour's lifestyle", February 26), because of the possibility of the area's receiving Objective One status from the European Community, but it does not explain the benefits we may see as a consequence.

Per capita income in Merseyside is 79.8 per cent of the EC average; Corsica's equivalent figure is nearer 40 per cent. Merseyside's problems are the social consequence of a sophisticated regional economy that has no need to employ people in the numbers it once did.

Merseyside's main traditional employers - docks and cars - are performing well. The Mersey Docks and Harbour Company, Ford and Vauxhall are successful businesses employing high technology instead of people. Objective One finance, in the absence of regional policy from Westminster, provides public funds to stimulate new infrastructure works and training to try to cope with the displacement of people by capital plant. An expanded Liverpool Airport would help enormously.

Do we envy Manchester? We envy its clever politicians, whose plans for Manchester

Airport and the Olympics bid have attracted massive public subsidy without provoking press fury. And we envy the fact that, as the centre of the north-west's media industry, journalists based there prefer to castigate Liverpool rather than incur the wrath of friends in Manchester. The Liverpool business community wishes Manchester Goodspeed, but envies the blind eye its problems enjoy in the media.

Jack Stanforth,
Managing director,
Stanforth Bright Anderson,
Exchange Court,
26 Exchange Street East,
Liverpool L2 3PH

Austria's farmers not so independent

From Mr Christoph Ull.

Sir, I am glad that David Richardson ("Touring Europe's green and set-aside land", March 2) shares my concern about the living standard of farmers in Austria, especially when the country, in the heart of Europe, becomes a member of the European Community.

Nevertheless, I stress that Austrian farmers are not so independent as the article suggested. Most of them are organised in the *Raffisenerverband*, an organisation paying a fixed price for their agricultural products. They are also supported and protected from foreign competition by the Austrian government - but that is not really independent.

Austria will be a part of the European common market in the near future, in which the farmers will face international competition anyway. They should switch to a more specialised production, combined with a high level of quality. Austria should be part of the European family, as problems are solved more easily if you are a member of the family than if you are not.

Finally, I would like to remind Mr Richardson that Austria does not only consist of farmers, although they are a very important part of the Austrian population.

Christoph Ull,
Emmanuel College,
Cambridge CB2 3AP

Single transferable voting empowers electorate

From E M Syddique.

Sir, Gary Titley MEP is correct in writing that the single transferable vote system strengthens the political "bosses" (Letters, March 1). Indeed, it strengthens those who should be the real political bosses - the voters. It removes the power of political parties to decide the order of lists, as in some systems of proportional representation, and thus who is elected.

The final result of the 1992 Irish general election was delayed for technical and legal reasons arising from recounts. But such delays are rare. With more modern techniques, the counting process could be speeded up.

Commission may well have misled themselves in saying the STV system is "capricious". Candidates are only excluded when they have no hope of election. The transfer process carries out precisely what the voters have instructed on the ballot paper. There is a mathematical logic to the procedure. The ultimate result in each constituency is what most voters wanted, and while politicians might not like the outcome, they must accept it.

What is more, every MP is accountable to those electing them. STV is a very sensitive system which gives immense power to the voters, which

political parties might not be happy for them to have. Representing the voters' interests is surely a quality to be commended in a voting system.

STV in practice is as proportional in party political terms as any party list system which does not aggregate votes nationally. Contrary to Mr Titley's view, I would suggest that STV makes for very effective constituency representation because of the direct accountability of every MP.

It is telling that the Irish electorate has twice rejected by referendum attempts to abandon STV.

E M Syddique,
Electoral Reform Society,
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هكذا امن الناجل

FINANCIAL TIMES

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Thursday March 4 1993

Last chance in Russia

FAILURE BREEDS FAILURE. In Russia today it even seems predestined. But despair is an unaffordable luxury, unaffordable for the Russians and unaffordable for the west as well. Russia is a country of vast resources, copious skills and great importance. No effort should be spared to prevent it from sinking into chaos or returning to an inward-looking despotism. It is this thought, not fear of failure or worries about relatively small sums, which should inform the reconstruction of policy towards Russia to which the Clinton administration is committed.

In any such reconstruction, the administration is right. But it is no use standing on the sidelines, waiting for a coherent government to come forward with an implementable stabilisation policy. The west had to help the reformers win their domestic battles. It failed to do so. No wonder the Russians joke that "they pretend to give us aid and we pretend to reform".

What does the west need to do? First, it should decide that \$20bn a year in long-term assistance - a mere 0.2 per cent of its aggregate gross domestic product - is a price well worth paying for the chances of successful Russian reform.

Second, authority for negotiating and implementing western assistance should be given to a small high-level team working directly for the Group of Seven industrial countries. Third, a substantial amount of long-term assistance - \$24bn-\$3bn, plus debt relief - should be given almost immediately, in return for some degree of control over the central bank and the budget.

Fourth, assistance should be provided for balance of payments support, for a comprehensive and politically effective social safety net, for support for long-term investment in viable industries; and for small business development. Finally, all assistance must be conditional, but the conditions should be neither over-detailed nor excessively unrealistic.

It may already be too late to succeed. But it cannot be too late to try. The Clinton administration should commit itself to one big push. The question is not whether it can afford to take the risk. It is whether it can afford not to.

Just four months ago, Spanish Prime Minister Felipe Gonzalez was musing that the election this year would be his last and that he would retire from office gracefully. Now he may not have that choice. The mood of the country is turning against him and, for the first time, there are doubts about how long he will remain in the Moncloa palace, his official residence.

An emergency debate on rocketing unemployment in the Cortes, Spain's parliament, on Tuesday turned into a litany of accusations against him, and almost unanimous insistence from the opposition that he call an election immediately. He will not, but as recession deepens and there is little sign of economic recovery, Mr Gonzalez and Spain are in more trouble than they have been for a decade.

Just over 10 years ago, in opposition, Mr Gonzalez was hurling insults across the Cortes debating chamber. The government was crumbling, riven by internal dissent and incapable of responding to the growing economic crisis. He was merciless. "I would be ashamed to be running a country with 2m unemployed," he is reported to have said a few months before winning his first term in office in 1982.

He may feel differently now, however. Spain does not have 2m unemployed; it has more than 3m. With an election due before the end of November, Mr Gonzalez's Spanish Socialist Workers party is united only by its fear of defeat.

The government's own polls show it losing 20 seats and, thus, its parliamentary majority. The latest polls were taken in November, three months before the National Statistics Institute revealed a record 3.65m Spaniards out of work. The figure was more than half a million more than the Gonzalez government had predicted at the beginning of the year. The government had also failed to deliver on its 1989 promise to create 1.2m jobs during this four-year legislature.

As the economic outlook grows bleaker, Mr Gonzalez must be pondering the mistakes of his third term in office. He dithered for two years before starting the deregulation of Spanish industry, and making it easier to hire and fire workers. Even now, little deregulation has been undertaken and labour market reforms are stalled.

In the past 12 months, he has hurried to recover lost ground and stumbled in the process. He has tried to equip Spain for European economic and monetary union by meeting the tough convergence criteria of the Maastricht treaty. He has cut unemployment benefits, and wanted to reduce income tax. But as the 1992 budget deficit doubled over the previous year to a trillion pesetas, he had to abandon tax cuts in order to finance spiralling government debt. Speculation last

As unemployment and bankruptcies grow, the mood in Spain is turning against Gonzalez, says Peter Bruce

Disillusion after golden decade

Spain: grim reading for Gonzalez



autumn against currencies in the exchange rate mechanism led Spain into two devaluations to prevent an overvalued peseta from being forced to exit from the system. It has lost 16 per cent of its value against the D-Mark since last summer.

Mr Gonzalez, long viewed as pragmatic for his market-oriented policies, so is increasingly seen as dogmatic. His own party is criticising him for risking electoral defeat by not raising public spending, cutting interest rates or further devaluing the peseta - moves he says would threaten EC economic convergence.

"He is either being strangely principled for a politician or he has just run out of ideas," says a leading businessman. But while the business community has turned against the government, its attacks on Mr Gonzalez are being led by the employers' umbrella body, the CEOE, and not by individuals.

This is because there remains a possibility that the prime minister will form the next government. He still has some powerful cards to play to different audiences. His apparently tight fiscal stance is aimed at convincing the foreign

financial institutions that trade in Spain's currency and debt that speculation against the peseta will be firmly resisted. But at home, the 1993 budget allows him some leeway. Spending is up by 9.3 per cent over last year's target while the economy is forecast to grow by less than 1 per cent.

On the timing of the election, Mr Gonzalez also has the upper hand. He can wait until the end of November if he chooses. By then, Spain's inflation rate, now at an annual 5.4 per cent, should have slowed because of the recession and interest rates should have slipped below their current 13 per cent.

Such developments might not make an immediate difference to employment, but the prime minister knows how to capitalise on even a little good news. He and his finance minister, Mr Carlos Solchaga, are a formidable duo. Faced with mounting calls for action on unemployment, the two last week quickly assembled a Ptas300bn (£1.78bn) emergency plan to slow job losses by lengthening

temporary job contracts and helping small businesses. They promised it would be financed mostly by the EC, but the Community has yet to be asked for the money.

The package was attacked by the opposition in parliament on Tuesday as too little, too late. There is some merit in that view since the plan is unlikely to have much impact on the economy before the election, and may not even be implemented in full. There will probably be other such plans in coming months as the Socialists' political fortunes ebb.

For Mr Gonzalez the challenge is to keep his most dangerous opponents - the conservative Partido Popular and the communist-led Izquierda Unida - at bay, while convincing his own party that power has not slipped away yet. It will not be easy: the party is split as a result of the economic downturn. A badly managed attempt to regulate strikes has thrown the Socialists' disarray into sharp relief in the past few weeks. Business welcomed a tough draft law presented to parliament by the government last year, but was shocked last month

when a significantly watered-down version was forced through parliament after "talks" between the party and the unions.

Mr Jose Maria Aznar, the CEOE president, called the new law "a declaration of war", prompting Mr Gonzalez and Mr Solchaga to promise it would be tightened up. This pledge angered the party and has done little to appease the business community, struggling under high interest rates. Receiverships have reached record levels (see chart).

Galvanised by the government's troubles, Mr Jose Maria Aznar, the young PP leader, appears convinced he can topple Mr Gonzalez. Before Christmas, polls put his party just 5 points behind the Socialists. PP officials are convinced their political outlook has improved since then.

For the first time in a decade, the conservatives have carved out an economic policy that may succeed in capturing the middle ground. It comprises a supply-side package of tax cuts, privatisations, elimination of industrial monopolies and infrastructure investment. Even the unions have not taken offence.

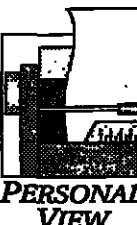
But these are early days and Mr Aznar could stumble before Spain goes to the polls. Determined to win, he appeared last year to offer the leadership of any government he formed to the Catalan regionalists if they joined him. Last month, eager to capitalise on exchange rate troubles, he suggested that he would not be opposed to leaving the ERM, thus increasing pressure on the peseta. Leaving the mechanism is not PP policy.

Overall, Mr Aznar tends to become side-tracked by the PP's political obsession - accusing the government of corruption. He faces the danger that the government will encourage the PP into focusing solely on this issue, something Mr Gonzalez could tackle quickly and efficiently, rather than on the economy, about which he can do little.

Barring a decisive economic upturn, however, there seems little doubt that the Socialists will lose their parliamentary majority when Mr Gonzalez holds the election. It is also unlikely that he would serve another full term after forming a government. If they contain the loss to no more than 15 seats, they could still form a minority government. If they lose more than 15, they will have to form a coalition, with the Basque or Catalan regionalists or with the communist IU.

The denouement of this political set-piece promises to be protracted. Spaniards know that the decade of democratic and economic development under Mr Gonzalez is drawing to a close. A home he is building in the smart suburb of Somosierra, north of Madrid, is, say neighbours, being completed in great haste. It would be one of his lasting regrets if he were not able to finish the modernisation of the Spanish economy with the same dispatch.

Derivatives — a delicate balance



PERSONAL VIEW

Derivatives trading has become the most significant growth area in financial services. BIS estimates of amounts outstanding in important exchange-traded and over the counter contracts show growth from some \$1,000bn five years ago to \$8,000bn at the end of 1991.

These figures give an exaggerated impression. Credit exposure in any contract at any time is only a small proportion of the nominal amount. We cannot be complacent, however, in the face of the great weight of these markets. Chief market participants include banks, whose earlier credit judgments led to over-commitment to sovereign debt and then to highly geared or over-concentrated domestic lending. The intermeshing of markets exposes the system to risk of cross-infection and mishap on a larger scale than ever. Conversely, these markets have

brought benefits in an uncertain environment, enabling investors and corporate treasurers to identify risks to which they are ready to be exposed and to take insurance cover where they are not. Derivatives do not add risks to the system. They provide the ability to identify, price and transfer existing risks.

A balanced approach to regulation is needed, neither cramping the energy and innovation of these markets, nor tolerating inadequate standards or risk. Five principles of a viable approach might be these: ● Initiative on an international basis. The flexibility and mobility of derivatives trading means that the possibilities for regulatory arbitrage, if playing fields are not level, are enormous. Development of regulation should be collaborative and international, building on the work of the BIS, IOSCO and the Group of 30. The first requirement is for a shared understanding of problems. ● Practitioners must be involved. Complexity change in modern financial and derivative markets means that no regulator can be confident of sufficient understanding without practitioner input. It was partly the inflexibility and inadequacy of some national regulation which drove substantial derivatives business off-exchange, offshore and off-balance sheet. Concern at the risk of regulatory capture is insignificant compared with the need for the best market knowledge practitioners can contribute. The work of senior market practitioners in the Group of 30, led by Sir Dennis Weatherstone and the efforts of the International Swap Dealers' Association in establishing standard contracts are welcome. ● As derivatives contracts provide an efficient, flexible means of covering against specific forms of market

risk, the focus should be on credit or counterparty risk. The preference of some exchanges to push all derivatives business into exchange-traded contracts should be resisted, as the flexibility of OTC contracts has greatly benefited market participants. The greater the determination to leave the customising capability of the OTC markets undisturbed, the greater the priority of enhancing legal certainty in the netting of transactions, thus shrinking the outstanding counterparty or credit exposure in the market. The aim should be to give some regulatory acknowledgement to netting through appropriate structuring of capital requirements, akin to the inducements provided by securities regulators to diversification of liquid equity portfolios. ● There is need for improvement in reporting and disclosure standards to promote understanding among market practitioners of the complex risks they are undertaking, above all in writing options. Importance should be attached to the establishment of credit assessment

and audit arrangements separately from the trading desk. ● National regulators should question and even curtail the operations of entities in their sphere of responsibility where there are doubts. Henry Kaufman has argued that these issues cannot be dealt with without a dedicated institutional capability, and that a new international institution should be established. On the other hand, this business is concentrated in the financial centres of the G7 countries. There is need for promoting adequate regulatory initiative and convergence among these countries before concluding that there is need for a new international bureaucracy. A high-level international oversight group may eventually be necessary.

David Walker

The author is deputy chairman of Lloyds Bank and former chairman of the Securities and Investment Board.

The Sheffield way

THE 1.5 per cent limit on public sector pay increases announced last autumn is beginning to work. Although the bargaining season proper does not start until April, the government's virtual freeze may stick. The National Health Service unions have rejected 1.5 per cent, but there is no expectation that this will lead to strikes. Teachers have been awarded a similar increase, as have the armed forces. Other public-sector employers, such as British Rail, the post office and the civil service, know the facts of contemporary pay bargaining.

More to the point, local authorities are getting the same message. Kent County Council was the first to announce a 1.5 per cent increase for its white-collar workers, starting in April. Some 20,000 Sheffield council employees have voted to accept a 3.5 per cent cut in pay, in exchange for shorter working hours. The alternative was 1,400 redundancies. The driving force in this instance was not so much the government's pay ceiling as the realisation by the Labour-run council that it is obliged to produce a budget that does not breach the limit set by the Department of the Environ-

ment. The department's principal objective has been to ease the new council tax into its first year of operation. It has made it clear that it will not hesitate to cap local budgets where necessary.

Some private companies are proving less resolute than the government. According to Incomes Data Services, settlement levels fell steadily last year, in response to lower inflation and the persistent recession. Yet more than half of the 110 deals recorded in January were for increases of between 3 and 4 per cent. The trend is towards the lower end of that range. The CBI estimates that in the final quarter of 1992 manufacturing pay awards averaged 2.8 per cent, while service sector increases averaged 3.2 per cent. The variations at the extremes are mildly encouraging. The number of freezes and pay pauses is increasing, and settlements higher than 5 per cent are reported less often.

If the steady downwards pressure is maintained, the benefits of devaluation may last. This assumes that the government's freeze is not followed next year by the sequel to all previous pay freezes - a catch-up explosion.

Polluted land

THE GOVERNMENT has shelved its original proposals for a register of contaminated land, as Mr Michael Howard, the environment secretary, is likely to confirm soon. The motives behind the proposals were sound - the recognition that contamination by metals and industrial chemicals can damage health, and that more information about the risks should be available. However, the scheme threatened to be overambitious and unwieldy, so a new approach is in order.

The original plans, framed in the 1990 Environmental Protection Act, have come under fierce attack during two stormy public consultations. As most recently proposed, the register would have included all land known to have been used by one of several types of heavy industry, regardless of whether it was actually contaminated. Suggestions for a survey of actual contamination were rejected because of the financial burden such an exercise would have placed on many local authorities.

The register's critics - mainly builders and lenders - complained that it threatened to blight property values across much of

the country, including perhaps a third of the Midlands. Leading banks also warned that the register could inhibit commercial development. They were wary of taking potentially contaminated land as security for loans, because of the risk of a fall in value or huge clean-up costs.

The question is what should now replace the proposals. The alternative which Mr Howard is most likely to announce is for a register built up gradually by recording contamination when land changes hands. Under this proposal, which is backed by the Royal Institute of Chartered Surveyors, the seller of the property would be responsible for demonstrating that the land under offer was clean.

That solution is workable, but it does not address the problem of assessing the risk to people working or living on contaminated land that is not changing hands. One answer would be to press councils to survey at least the land that is most likely to be contaminated, in order to bring the worst risks to light. This approach would be less ambitious than the original proposals, but would represent a clear move in the right direction.

Sir Bryan gets the call

■ One of the first big jobs of any new president of the CBI is to find his successor, so its Centre Point headquarters yesterday emitted a puff of white smoke signifying that former Post Office chairman Sir Bryan Nicholson is being groomed as the senior voice of British industry and commerce at home and abroad.

It will be another 15 months before the current president, ex-Unilever boss Sir Michael Angus, steps down. But the CBI is rather like civil service departments in the matter of planning succession. Clearly, Sir Bryan has proved his mettle in its committees and is being prepared for permanent membership of the great and the good.

Despite present unemployment levels, finding the right man for the job is less easy than it may sound. It's a two-year unpaid post, involving at least two days' work a week. True, it has perks such as a chance to hobnob with the prime minister and pontificate about what's wrong with Britain. But it's not a job suited to a chief executive who is trying to run a business full-time.

Both Angus and his predecessor Sir Brian Corby of the Pru were at the end of their executive careers when they got the call, and Nicholson has just given up

running the Post Office. He looks as good a choice as any, although the CBI won't say whether it tried to sign up others such as Guinness's Sir Anthony Tennant, or Shell's Sir Peter Holmes.

Hogg wash

■ Having bequeathed the chairmanship of Courtaulds Textiles to chief executive Martin Taylor, Sir Christopher Hogg predictably spent yesterday morning on the telephone to his four biggest shareholders arguing that he was not cooking a snook at the Cadbury recommendations.

"Three said fine; one thought it a pity. But that was a Scottish institution, so they are more remote." Aha.

It seems they married not for money, but for manure. With more pigs than people in the Netherlands, the authorities are worried that the animals' excretions will outweigh the absorbent capacity of the soil, endangering water supplies. So

OBSERVER



"We're going to give you a long slow shock"

quota restrictions have been imposed on the amount of dung the farms may produce.

The effect - since quota rights can be acquired by inheritance - is a bullish marriage market for farmers' daughters as their hands are sought by other farmers wanting to boost their manure allowance.

Wrong note

■ The menu for today includes nine freshly grilled humans, candidates for one of the top jobs in British journalism: the editorship of the 150-year-old weekly, The

Economist. Each will be given an interview - or at least in the language of the media branch of the Oxford University mafia - by a committee composed of troubleshooter-extraordinary Sir John Harvey-Jones, Cadbury Schweppes's Dominic Cadbury, and Frank Barlow, chief operating officer of Pearson, owners of the Financial Times.

The procedure will be straightforward. Starting prompt at 9am and in alphabetical order, the nine will have half an hour apiece to state their claims. Even so, Oxonians' habit of reverting to their old varsity jargon has already led to a misunderstanding about the salary on offer.

One Oxford man involved was overheard telling a companion that getting the job would involve "a terrifying lot of vivas". "But surely it won't all be paid in fivers," came the reply.

Well oiled

■ Members of the New York Mercantile Exchange had been looking forward to getting tanked up at this evening's 10th anniversary gala in the Waldorf-Astoria.

Deservedly so, too, since crude oil futures now trade almost as much in a day as they did in a whole year at the start, and the exchange sets world prices for natural gas and other energy

products as well as crude oil products.

Alas, a pall has been cast over the proceedings by the bomb at the World Trade Centre, which crippled the trading floor. Although Nymex has kept open for a short working day throughout this week, traders have been growing unusually hot under the collar with the air-conditioning yet to be restored.

Meanwhile chairman Lou Guttman, working round the clock, has had to abandon active campaigning for the mid-March election in which he has been hoping to secure a third term. Already fighting federal charges that he violated commodity trading regulations in 1989, he must be re-reading Murphy's law.

Objet trouvé

■ For all his chairmanship of Amec, builder of Manchester Airport's £255m new passenger terminal to be opened by Her Majesty the Queen today, Sir Alan Cockshaw looks unlikely to be chosen as one of the trustees of the northern branch of the Tate Gallery.

Spotting some chunks of concrete lying around during his pre-opening check on the site, he pointed at them, saying: "You'll get these out of the way before the Queen gets here, won't you?" "No, sir, actually," he was told. "It's a work of art."

More arrests in Italy as road building contracts face scrutiny

By Robert Graham in Rome

A STRING of roadbuilding contracts throughout Italy were yesterday brought within the scope of corruption investigations, leading to the arrest of businessman, official of Anas, the state roads authority, and Mr Gerardo Pelosi, director-general at the Ministry of Public Works.

As the scope of corruption investigations continued to broaden, parliament delayed a decision on waiving immunity on Mr Bettino Craxi, the former Socialist leader. The delay was caused by new evidence which parliament wished to study. This centred on allegations made by

Mr Claudio Martelli, the former justice minister and one-time political associate of Mr Craxi, that the latter had been involved in collecting illicit contributions for the party.

Magistrates in Rome and several other cities have been investigating the activities of Anas during the 1980s for at least two months. Roadbuilding accounts for 10 per cent of the annual L30,000bn (\$19.4bn) budget for public works contracts. Some arrests had already been made, but yesterday's arrests underscored the extent of the investigation. They involved six Anas officials and seven businessmen, two of whom have already been

caught up in other public works corruption investigations.

In addition, a further eight Anas officials and three contractors were warned they were under investigation. The Milan department of Anas was the most affected, but others included Naples, Palermo and Reggio Calabria. The action taken in the three southern cities is of particular significance because they cover areas regarded as infiltrated by organised crime and barely touched by the current wave of corruption investigations. The Anas board and its officials have been traditionally controlled by the main ruling parties.

The latest arrests took place against a growing debate among political parties on the merits of introducing legislation to provide a "political" solution to the crisis caused by the corruption scandals.

The government has said it hopes to have legislation ready by tomorrow. But a growing number of politicians, including members of the four-party coalition, doubt the feasibility of framing legislation that does not either impede the course of the investigation or appear to be letting the corrupt and corruptors off the hook.

Flat bruised by arrest, Page 3

Strike at Ford plant after leak of planned job losses

By Robert Taylor, Labour Correspondent in London

LEAKED internal documents from Ford Motor Company revealing plans to close most of its general services business in Germany and the UK yesterday led to a walkout at its Dagenham plant, east of London.

According to the documents, Ford intends to contract out most of its general services business by the end of the year, in a move affecting 3,000 jobs in its British and German plants, in spite of the risk of industrial conflict.

Service workers at Dagenham staged an unofficial 24 hour strike in protest.

The workers involved are employed in the transport of supplies and parts between Ford plants in the UK and continental Europe as well as maintenance work, electrical engineering and office administration. The company employs 1,482 service workers in the UK and as many as 1,317 of them would be affected by the restructuring plan.

The company says there will be no compulsory redundancies - workers would be redeployed or transferred to the contracting companies.

Reacting to the leak, Ford said it was studying how to implement the plan and the outcome could not be prejudged, but added that it was company policy to use outside specialists where appropriate. Before Christmas the company said it was outsourcing its seat manufacture.

Ford, which confirmed the authenticity of the documents, said it needed to cut its costs and could not afford to retain in-house services when these could be provided more competitively from outside.

In the leaked documents, Ford assesses the strike risks of going ahead with restructuring general services. It believes "the most serious risks" lie with the drivers in the truck fleets who supply key components to its production plants. "A British truck fleet dispute would probably result in the progressive closure of all Ford European manufacturing plants within three days," the documents say.

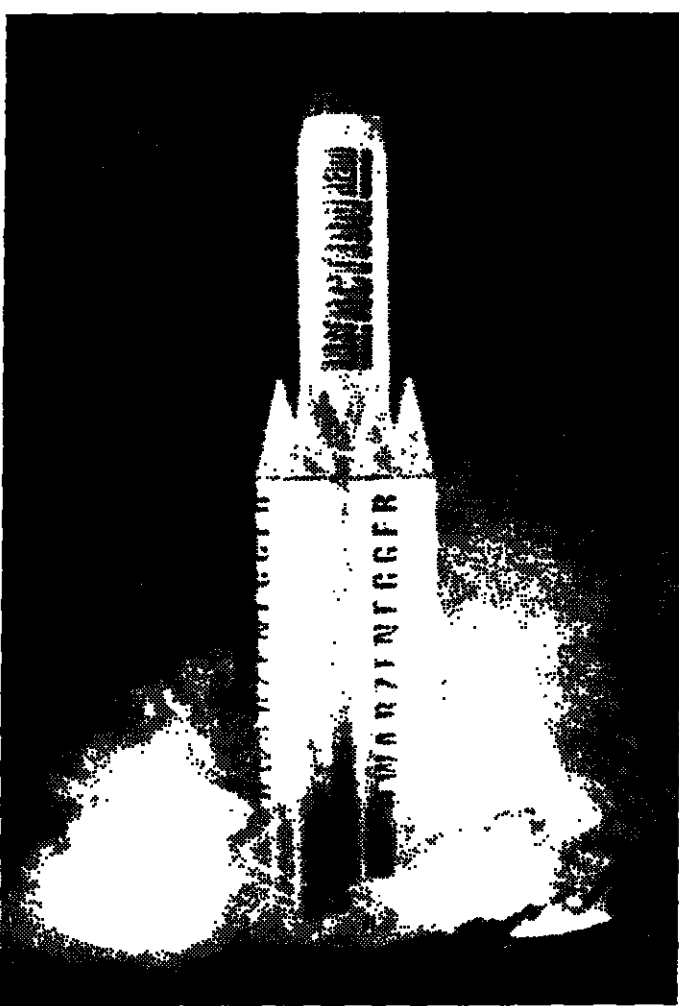
The company calculates that if it decided to reassign or re-source truck fleet business it would "result in a dispute of at least two weeks' duration" because it would mean a loss in earnings and job losses.

The documents say Ford believes the unions would be "unlikely to act swiftly to influence the drivers to end a truck fleet dispute".

Another danger area for disruption would be boiler operations, where a strike could halt production quickly. But the documents also suggest the company fears "a high risk of significant disruption" across all general services.

Union officials are due to meet Ford next Thursday to discuss the company's existing threat of compulsory redundancies in its UK plants.

Mazda and Ford end joint venture talks, Page 16



Hyperspace: A rocket (like the model above) will blast off in May carrying Arnold Schwarzenegger's name in the first US sale of high-flying advertising. The launch promotes his latest film, Last Action Hero. In New York, where shooting began this week, a 75-foot-high balloon of Schwarzenegger towers over Times Square - minus two sticks of dynamite which Columbia Pictures removed to avoid causing offence after the World Trade Centre bombing

US calls for UN talks on latest Serb attacks

Continued from Page 1

secretary-general's views on the need for the use of force by UN troops to implement any agreement on the UN government's views and the most appropriate international response to the crisis.

Meanwhile, Mr Radovan Karadzic, the Bosnian Serb leader, in a letter to Mr Clinton, urged the US to abandon the air drops, because they threatened to ignite a wider war in the region. A Serb mayor in eastern Bosnia also called on the US to stop the air drops, saying land corridors were inoperable and more efficient.

The renewed US commitment to the air drops appears much influenced by Tuesday's announcement in Moscow that

Russia was willing to join the US airborne relief efforts. A US air force spokesman yesterday said that the US European Command would be sending a five-person team to Moscow to discuss details of the Russian offer.

A key element in US policy is to engage Russia to the maximum extent possible because of its potential influence over the Serbs. The US administration is also convinced that, in spite of the latest escalation in hostilities, the air drops have helped to persuade the Bosnian Serbs to allow through more and bigger ground relief convoys.

Eleven UNHCR lorries yesterday crossed Serb lines to Gorazde, about 100 miles south of Cerska, carrying 69 tonnes of food and medical supplies.

French try to counter German bid for OCP

Continued from Page 1

per cent of OCP and is its largest shareholder, is understood to oppose the German takeover.

Mr Dieter Kammerer, vice-president of Gehe, said he was shocked by the intervention of the government and pharmaceutical groups. He said there was no industrial logic for drugs companies to be involved in wholesaling.

Mr Jean-Pierre Duché, OCP's chief executive, supports the German deal. Under the agreement OCP's management would whole-

selling operations, which represent 80 per cent of its turnover.

Rhône-Poulenc said it was not interested in taking over OCP on its own and would not take a significant stake. Both said wholesaling did not represent a core business.

The Gehe takeover was given the go-ahead this week by the Paris bourse. It is awaiting permission from Commission d'Opérations de Bourse, the stock exchange regulatory body, and the finance ministry. The takeover was expected to have been completed by the end of the month.

Woman defeated by Swiss political heights

By Ian Rodger in Zurich

IT WAS no big surprise yesterday when a majority of (male) Swiss parliamentarians voted down the nomination of Mrs Christiane Brunner to join the country's seven-person Federal Council (cabinet).

Women have made little headway in Switzerland's senior government and business circles.

The new cabinet minister this time had to be, like the outgoing foreign minister, Mr René Felber, a Social Democratic party MP from the French-speaking part of Switzerland. Mrs Brunner, 46, and a trade union leader, was one of only two MPs to fit this profile and agreed to be a candidate. She would have been only the second woman minister in Swiss history.

In spite of being an MP for only 15 months, she won her party's endorsement, partly because she was a woman and partly because she came from Geneva, a canton which has not been represented in the cabinet for more than 70 years. Geneva was ready to declare a school holiday if she had won.

But her casual manner and taste in clothes raised eyebrows in the male-dominated political establishment, as did the fact that she has had three husbands.

After her rejection, women's groups gathered in front of parliament to protest, and vowed to continue the tough battle for equality. Mrs Brunner herself was in no doubt about the meaning of the vote. "I am disappointed not for myself, but for all women in Switzerland," she said.

As well as the criticisms of her feminism, her style of dressing and her three marriages, an anonymous letter, containing allegations of an unorthodox lifestyle and claiming to have nude photographs of her, was sent to Swiss media.

Mrs Brunner received wide praise for confronting these allegations squarely and demanding a police investigation, but among the grey, cautious men who dominate parliament her image was damaged. Probably just as important to them was her political record. She voted in a 1989 referendum in favour of abolishing the Swiss army. She also voted in parliament last year against the acquisition of FA-18 fighter aircraft for the air force.

Women in Switzerland have had the right to vote at the federal level since only 1971, and for a much shorter time in some communities. The tiny half canton of Appenzel Outer Rhodes was finally forced by a federal court only three years ago to give women the vote.

Mrs Brunner would have been only the second woman ever to join the cabinet, and the Swiss have not yet forgiven the first one, Mrs Elisabeth Kopp, for her behaviour. Mrs Kopp had to resign as justice minister in 1988 after accusations that she had tipped off her businessman husband about a ministry investigation of his company.

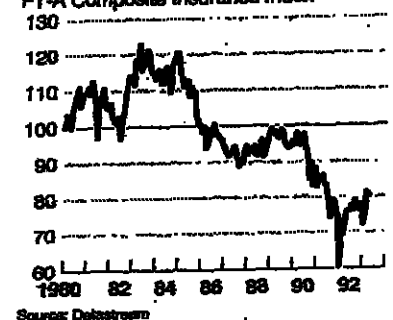
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Guardian Royal Exchange

Share price relative to the FT-SE Composite Insurance Index



up the best of the business. Having expanded at the wrong time in the late 1980s, it will have to demonstrate sharper underwriting skills this time around the cycle.

By doing nothing, though, GRE would risk losing touch with its competitors. Since its exposure to mortgage indemnity insurance is limited, there is an opportunity to make up lost ground. Trading at a small premium to net asset value - once the embedded value of the life operation is included - the shares arguably look cheap. But GRE can only add value to these assets if it picks the right risks.

Midland Bank

Midland Bank looks more comfortable now that the merger with HSBC is complete. It no longer has to worry about capital; the restructuring of the UK branch network is largely accomplished; and, since it provided early against losses, it should benefit sooner than other banks from declining provisions. There may not be much more room to cut costs, but, as long as Midland continues to keep them under control, any extra business which recovery brings should yield productivity gains which will help operating income.

That, at least, is the theory. The question is whether Midland can deliver. The merger will certainly help bring new business in areas such as trade finance and treasury. HSBC's information technology will give Midland a competitive edge in branch banking. But the other message from its annual results is that conditions are still pretty difficult in the market place.

UK provisions actually rose during the second half. Trading profit was helped by higher treasury earnings since sterling's devaluation, as well as by Midland's hedged interest rate position which allowed it to benefit from lower UK rates. Both will contribute in 1993. Neither will compensate indefinitely for lack of loan volume.

BICC

BICC's management must rue the day it ever ventured into property development. The rubble of another £35m of exceptional property provisions and a £12m property trading loss has concealed an otherwise pugnacious performance.

The Balfour Beatty contracting arm showed remarkable resilience by increasing profits 6 per cent. The cables business suffered more but should now benefit from the revival in the US and Australian economies. The recovery appeal of these businesses has recently pierced the gloom envelope. BICC's property activities and its shares have climbed by two-thirds since October. There may be a little way left to run with the company still yielding some 7 per cent. But last year's dividend again had to be funded from reserves. It will take a while yet to rebuild cover sufficiently to justify raising the pay-out, especially if property throws up any more grisly surprises.

United Biscuits

The market's response to UB's sale of its Terry's chocolate business looked cheerful. In truth, the 3 per cent drop in UB's shares may have signified little more than profit-taking after a recent flurry. The deal certainly seems shrewd for UB, which has built Terry's into an attractive chocolate business over the past decade. But with just 3 per cent of the UK market, it was a small player facing sticky growth prospects. The exit multiple of almost 23 was tempting. The £220m proceeds will help reduce UB's gearing to about 50 per cent. It will also give UB flexibility in competing for Royal Brands' biscuit business in Spain.

What Terry's buyer, Philip Morris, hopes to achieve is most intriguing. Its ownership of Jacobs Suchard and its torrential cash flow suggest it could become a formidable competitor in the UK chocolate market, should it so desire. That would be unsettling for Cadbury Schweppes.

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| World Weather | | °C | °F | City | °C | °F | City | °C | °F | City | °C | °F | City | °C | °F | City | | | | | | | |
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| | | | | Boulogne | F | 1 | 34 | Frankfurt | S | 0 | 32 | Malacca | F | 12 | 54 | Oporto | S | 12 | 54 | Tenerife | F | 19 | 66 |
| | | | | Buenos Aires | F | -1 | 30 | Geneva | S | 14 | 58 | Malaga | S | 14 | 58 | Tokyo | S | 15 | 59 | Toronto | F | 1 | 34 |
| | | | | Buenos Aires | S | 0 | 32 | Gibraltar | S | 14 | 58 | Manila | S | 15 | 59 | Paris | F | 4 | 39 | Toronto | F | 4 | 39 |
| Albacor | C | 10 | 50 | Buenos Aires | F | 27 | 80 | Glasgow | C | 4 | 39 | Moscow | C | 37 | 60 | Prague | S | 2 | 28 | Tunis | F | 14 | 57 |
| Algeria | C | 10 | 50 | Buenos Aires | F | 27 | 80 | Helsinki | C | 1 | 34 | Perth | S | 1 | 34 | Valencia | S | 1 | 34 | | | | |
| Amsterdam | F | -1 | 30 | Cape Town | S | 22 | 72 | Hong Kong | F | 16 | 60 | Sanction City | F | 24 | 75 | Rhodes | S | 16 | 61 | Vancouver | C | 7 | 45 |
| Antwerp | C | 10 | 50 | Cebu | S | 28 | 82 | Imbabura | C | 28 | 82 | Sao Paulo | F | 18 | 64 | Rio de Janeiro | S | 23 | 73 | | | | |
| Bahia | S | 24 | 75 | Colon | S | 18 | 64 | Interlaken | Or | 2 | 36 | Amman | F | 2 | 28 | Rome | C | 12 | 54 | Warsaw | F | -3 | 27 |
| Bangkok | C | 28 | 82 | Chicago | F | 2 | 36 | Isle of Man | C | 14 | 57 | Montreal | S | -7 | 19 | Salzburg | S | 2 | 28 | Washington | F | 8 | 46 |
| Batavia | C | 28 | 82 | Colon | S | 18 | 64 | Isle of Man | C | 14 | 57 | Montreal | S | -7 | 19 | Seoul | S | 2 | 28 | | | | |
| Beijing | S | 12 | 54 | Copenhagen | C | 0 | 32 | Jakarta | S | 28 | 82 | Murich | S | 0 | 32 | Singapore | S | 7 | 45 | | | | |
| Bombay | S | 28 | 82 | Copenhagen | C | 0 | 32 | Los Angeles | S | 11 | 52 | Nairobi | S | 28 | 82 | Sofia | S | 1 | 34 | | | | |
| Buenos Aires | S | 0 | 32 | Dakar | C | 6 | 43 | London | S | 9 | 48 | Naples | R | 11 | 52 | Stockholm | C | -3 | 27 | | | | |
| Calcutta | C | 28 | 82 | Dallas | F | 3 | 38 | Luxembourg | C | 1 | 34 | Nassau | S | 28 | 82 | Thessalonica | S | 1 | 34 | | | | |
| Cardiff | C | 10 | 50 | Delhi | C | 6 | 43 | London | S | 9 | 48 | Nicosia | S | 11 | 52 | Thessalonica | S | 1 | 34 | | | | |
| Cebu | S | 28 | 82 | Dublin | F | 1 | 34 | Los Angeles | S | 11 | 52 | New Delhi | F | 24 | 75 | Thessalonica | S | 1 | 34 | | | | |
| Colon | S | 18 | 64 | Edinburgh | C | 2 | 36 | Madrid | F | 1 | 34 | New York | F | 2 | 36 | Taipei | C | 20 | 68 | | | | |
| Dakar | F | 1 | 34 | Edinburgh | C | 2 | 36 | Manila | S | 28 | 82 | Nicosia | S | 11 | 52 | Tampier | S | 1 | 34 | | | | |
| Dallas | F | 3 | 38 | Florence | C | 9 | 48 | Munich | F | 10 | 50 | Nicosia | S | 11 | 52 | Taipei | C | 20 | 68 | | | | |
| Dublin | F | 1 | 34 | Florence | C | 9 | 48 | Munich | F | 10 | 50 | Nicosia | S | 11 | 52 | Taipei | C | 20 | 68 | | | | |
| Edinburgh | C | 2 | 36 | Florence | C | 9 | 48 | Munich | F | 10 | 50 | Nicosia | S | 11 | 52 | Taipei | C | 20 | 68 | | | | |
| Faro | F | 1 | 34 | Florence | C | 9 | 48 | Munich | F | 10 | 50 | Nicosia | S | 11 | 52 | Taipei | C | 20 | 68 | | | | |
| Florence | C | 9 | 48 | Florence | C | 9 | 48 | Munich | F | 10 | 50 | Nicosia | S | 11 | 52 | Taipei | C | 20 | 68 | | | | |
| Frankfurt | S | 0 | 32 | Florence | C | 9 | 48 | Munich | F | 10 | 50 | Nicosia | S | 11 | 52 | Taipei | C | 20 | 68 | | | | |
| Geneva | S | 14 | 58 | Florence | C | 9 | 48 | Munich | F | 10 | 50 | Nicosia | S | 11 | 52 | Taipei | C | 20 | 68 | | | | |
| Glasgow | C | 4 | 39 | Florence | C | 9 | 48 | Munich | F | 10 | 50 | Nicosia | S | 11 | 52 | Taipei | C | 20 | 68 | | | | |
| Hamburg | C | 1 | 34 | Florence | C | 9 | 48 | Munich | F | 10 | 50 | Nicosia | S | 11 | 52 | Taipei | C | 20 | 68 | | | | |
| Hong Kong | F | 16 | 60 | Florence | C | 9 | 48 | Munich | F | 10 | 50 | Nicosia | S | 11 | 52 | Taipei | C | 20 | 68 | | | | |
| Imbabura | C | 28 | 82 | Florence | C | 9 | 48 | Munich | F | 10 | 50 | Nicosia | S | 11 | 52 | Taipei | C | 20 | 68 | | | | |
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| Isle of Man | C | 14 | 57 | Florence | C | 9 | 48 | Munich | F | 10 | 50 | Nicosia | S | 11 | 52 | Taipei | C | 20 | 68 | | | | |
| Jakarta | S | 28 | 82 | Florence | C | 9 | 48 | Munich | F | 10 | 50 | Nicosia | S | 11 | 52 | Taipei | C | 20 | 68 | | | | |
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| Nassau | S | 28 | 82 | Florence | C | 9 | 48 | Munich | F | 10 | 50 | Nicosia | S | 11 | 52 | Taipei | C | 20 | 68 | | | | |
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| Rio de Janeiro | S | 23 | 73 | Florence | C | 9 | 48 | Munich | F | 10 | 50 | Nicosia | S | 11 | 52 | Taipei | C | 20 | 68 | | | | |
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INTERNATIONAL COMPANIES AND FINANCE

Wallenberg holding group declines to SKr1.48bn

By Christopher Brown-Humes in Stockholm

INVESTOR, the Swedish Wallenberg family's main holding company, saw income after financial items fall to SKr1.48bn (\$191m) in 1992, from SKr2.16bn a year earlier. This follows a drop in capital gains and a worse performance from Saab-Scania, its wholly-owned vehicle and aerospace unit.

However, the group benefited from a 26 per cent increase in the value of its share portfolio to SKr2.3bn - at a time when the Stockholm bourse fell 1 per cent - and from a 22 per cent rise in net worth to SKr3.4bn.

The dividend was held at SKr5.25 per share.

Operating income after depreciation fell to SKr3.64bn, from SKr5.05bn. This reflected

a drop in dividends received to SKr546m, from SKr686m, and capital gains of SKr2.27bn, against SKr2.51bn.

Saab-Scania's operating income after depreciation also worsened to SKr1.23bn, from SKr1.70bn, largely because of more difficult industry conditions for the company's trucks and buses unit.

Sales at Saab-Scania fell 10 per cent to SKr27bn, from SKr30bn, and income after financial items dropped to SKr716m, from SKr889m. Orders rose strongly to SKr36bn, from SKr28bn, mainly due to JAS39 fighter aircraft orders.

Scania Trucks and Buses posted an 8 per cent fall in sales to SKr16.55bn.

The company said: "The decline in income was mainly due to fewer deliveries and severe price competition, particularly in the west European market."

Mr Lars Kyhlberg, group managing director, predicted that demand would remain weak in Europe in 1993.

Sales at Saab Aircraft fell 21 per cent to SKr3.92bn, although income after financial items rose 8 per cent to SKr163m.

The Saab-Scania figures reflect the financial integration of Saab-Scania Holdings and Saab-Scania AB. They no longer reflect the group's 50 per cent stake in Saab Automobile, which last week separately reported a SKr2.69bn 1992 loss, as this is no longer consolidated.

Investor's main shareholding remains Astra, the pharmaceutical group. It also holds big stakes in other Swedish blue chip stocks, including SKF, Ericsson, Electrolux and Stora.

Write-downs depress Orkla profits

By Karen Fosell in Oslo

ORKLA, the Norwegian group with interests ranging from paper to food and drinks, saw 1992 pre-tax profits almost halve after a write-down on the group's shareholdings and heavy securities losses. The profit plunged to Nkr315m (\$45.19m) from Nkr608m a year earlier.

Orkla was forced to write down by Nkr656m its shareholdings in Elkem, the troubled Norwegian light metals producer, and Uni Storebrand, Norway's biggest insurer. Orkla has a 30 per cent stake in Elkem and had a 4 per cent stake in Uni before the insurer collapsed last autumn.

It also suffered securities losses of Nkr381m in 1992, against gains of Nkr262m in 1991.

The board proposed to leave the dividend payment unchanged at Nkr3.75. Orkla's A-shares rose Nkr3 to close at Nkr190.50 in Oslo as B-shares rose Nkr4 to Nkr191.

However, operations performed strongly with sales increasing by 4 per cent to Nkr16.8bn last year from Nkr16.1bn a year earlier.

Group operating profit increased by 37 per cent to Nkr1.2bn in 1992 from Nkr870m in 1991. Orkla said the advance was due to improved cost-efficiency, changes in the product mix and increased market shares. Cashflow from industrial activities was put at Nkr2.2bn.

Orkla charged accounts with net financial items of Nkr606m last year, against Nkr632m in 1991. Profits from associated companies increased to Nkr112m from Nkr41m in 1991.

The branded consumer goods division boosted operating profit by 31 per cent to Nkr1.016bn from Nkr776m. Food products increased operating margins through cost reductions while household products increased volume and market share. The chemical processing industry division lifted operating profit last year to Nkr1.174bn from Nkr852m a year earlier.

VW steps up the pressure on suppliers

THE VOLKSWAGEN group, Europe's leading carmaker, is applying heavy pressure on its components suppliers to cut their prices sharply.

Audi, the group's executive and luxury car division, and Seat, the group's Spanish subsidiary, have written to suppliers demanding a 5 per cent cut in prices in 1993.

Mr Daniel Goeudevert, deputy chairman of the Volkswagen group and chairman of the VW volume car division, said that in some cases the VW division was seeking even more substantial concessions from suppliers.

"Maybe we need even more than 5 per cent at VW. We are talking to each of our suppliers. Sometimes we are seeking cuts of 3 or 5 or 10 per cent. It depends on the product and its history."

Mr Erich Schmitt, Audi director of purchasing, said the group had set the goal of reducing the prices of components purchased from outside suppliers by 25 to 30 per cent over the next four to five years, helped by efficiencies from the introduction of new model generations.

The Volkswagen group's belated drive to cut its uncompetitive cost base is creating upheaval both internally and among its German supply base. Audi components purchases from outside the group total around DM7bn (\$4.2bn), while

Volkswagen division purchases in Europe total around DM15bn.

The group has fallen far behind its rivals in reforming its crucial relations with suppliers. Mr Schmitt said that the number of the group's suppliers would have to be sharply

reduced by Audi seeking to cut the number of its first tier suppliers from 900 at present to only 300 to 400 over the next five years.

The group was seeking to cut its costly dependence on German-based suppliers. Around 90 per cent of Audi purchases were still made in Germany. "We want to start real global sourcing," said Mr Schmitt.

Mr Goeudevert admitted that the Volkswagen group was lagging seriously behind its competitors. "Everyone in the industry knows that Volkswagen has a cost problem. We must reduce dramatically our cost structures in the next 12 to 18 months. We have two years."

Mr Goeudevert warned that Volkswagen was forecasting a drop of 20 to 22 per cent in new car sales in Germany in 1993 and a fall of 10 to 15 per cent in

new car sales across west Europe. "We have two main ambitions. Cost, cost, cost, to lower the break-even level, and quality. There will be no concessions on quality. We must leave for a while the dedication to improving sales volumes

division was pursuing a 12-point programme to cut its costs including a sharp reduction in the workforce, cuts in materials purchasing costs and lower capital investment, with the delay of some key projects such as the completion of the second stage of a new integrated car plant at Mosel in eastern Germany.

Job reductions were being brought forward with the aim of cutting 12,500 jobs in the VW volume car division in Germany in the two years 1993-94. Originally, these cuts were to have been spread over five years.

Mr Goeudevert warned that if new car sales in Germany and west Europe declined even more sharply than currently forecast "then we must look at a new job reduction programme."

"We are going to reduce output in line with the falling market. We expect to keep our market share where it was," he said. VW is carrying excess car stocks.

VW is cutting 18 production days in the first quarter and 13 in the second quarter of 1993 with the aim of reducing output by 160,000 cars in the first six months.

Expenditure by the group on its automotive operations was being reduced to DM48bn in the five years from 1993 to 1997 from DM51bn previously planned from 1992 to 1996.

Mr Goeudevert said the VW group's top management is expected to be announced later this month by Mr Ferdinand Piëch, who took over as chairman of the VW group management board at the beginning of January.

Speculation persists that Mr Piëch is still trying to recruit Mr Ignacio Lopez de Arriortua, the head of global purchasing at General Motors and the man credited with giving GM Europe the most competitive purchasing cost base of any of Europe's volume carmakers.

Mr Goeudevert said the VW

income fell to £943m from £960m. The group had reduced the number of motorists it insured to 517,000, around 100,000 fewer than in 1991.

It had also benefited from a 2 per cent fall in the frequency of motor claims. About 28 per cent of drivers insured by GRE made claims last year, compared with 30 per cent in 1991.

Worldwide non-life premiums grew marginally to £2.24bn, from £2.2bn, with life premiums falling to £221m, from £279m.

Underwriting losses of £314m, against £491m, were more than offset by life profits of £21m, down from £23m, and investment income of £296m, up from £288m.

Staff numbers fell during the year to 7,331, from 8,786, producing cost savings of between £25m and £10m. In the UK, the operating ratio, which measures claims and expenses as a percentage of non-life premium income - fell to 117 from 126.

The solvency margin - which measures net assets as a percentage of non-life premium income - climbed to 51 per cent at the end of 1992, compared to 43 per cent at the end of 1991.

Mr Hopkins said GRE was continuing to review the viability of many of its smaller operations, including some of its London market operations. But it had reached the stage where "selective expansion" was possible. The company was particularly interested in increasing its presence in Asia.

See Lex, Page 14

Norwegian shipowner to raise dividend

By Karen Fosell

WILHELM WILHELMSEN, the Norwegian shipowner, reported a decline in 1992 pre-tax profits, before extraordinary items, to Nkr166m (\$23.81m) from Nkr205m in 1991, due to the weak international shipping industry.

"It is gratifying to be able to report this after a difficult year for international shipping," Wilhelmssen said, adding that steady progress had been made in most of the group's shipping activities.

The shipowner has proposed lifting its 1992 dividend payment to Nkr1.30 a share from Nkr1 a year earlier.

Wilhelmssen's shares closed Nkr3 up to Nkr78 yesterday on the Oslo bourse, on the news the dividend payment would be increased.

Wilhelmssen said that primary operating profit - the difference between revenue and operating expenses - rose to Nkr606m in 1992 from Nkr584m a year earlier. Ordinary operating profit dipped to Nkr221m from Nkr240m.

Esab ahead SKr160m despite poor conditions

By Christopher Brown-Humes

ESAB, the world's leading welding equipment producer, said 1992 profits rose to SKr160m (\$20m) from SKr9m the previous year, despite a worsening of conditions in the group's key European market.

The group benefited from a SKr59m gain from the sale of its welding robot operations, which helped to offset the impact of SKr28m in foreign exchange losses and a SKr71m provision for further restructuring this year.

Companies seek suspension

By Hilary Barnes in Copenhagen

THREE COMPANIES asked the Copenhagen stock exchange to suspend their share quotations yesterday on fears that they have been defrauded of all or part of their share capital by a Swedish portfolio management company.

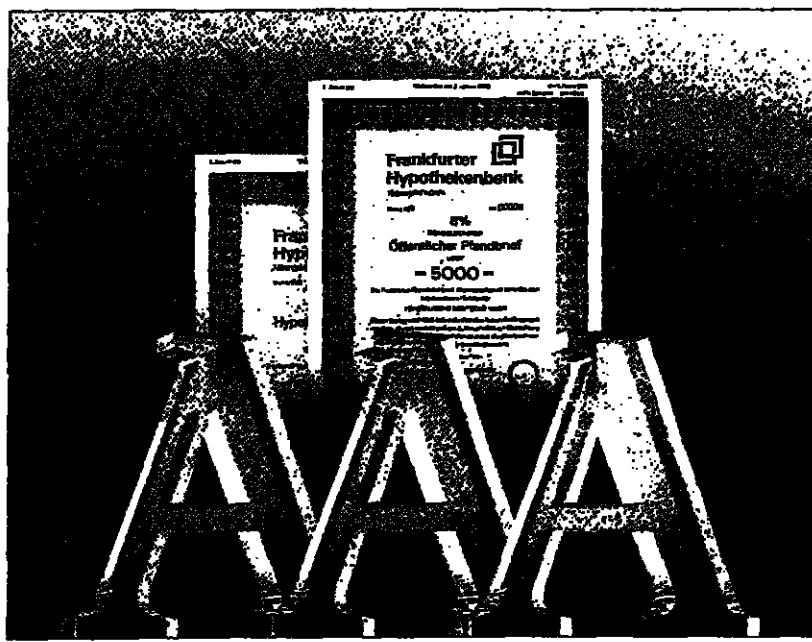
The companies are furniture

manufacturer Friis Mobler and two small investment companies, Euro-Invest and DKG-Invest. The three companies said they had been unable to trace shares which were supposed to be in deposit with foreign securities dealers.

Friis Mobler said that DKR30m (\$4.76m) out of its total share capital of DKR100m is missing, while DKG Invest and Euro-Invest said that their entire share capital is missing.

Conditions are expected to remain weak in Europe this year, although a gradual upturn is predicted in the US and south-east Asia.

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maturities and give yields which are generally higher than those on German Treasury bonds - all of which goes to make them a very attractive investment. Pfandbriefe of the Frankfurter already in circulation - worth more than 25 billion Deutschmarks - have become a permanent asset in many selected international investors' portfolios.

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BICC 1992 results

Our businesses are well positioned, our

finances are sound and our self-

confidence remains high. As markets

recover, the strengths of the Group

should again be reflected in satisfactory

earnings growth."

Robin Biggam, Chairman

BICCGroup

ENGINEERING TOMORROW'S WORLD

- Strong cash performance
- Balfour Beatty increases profits and grows core contracting businesses
- Worldwide cable business strengthened by acquisitions in Germany, the USA and Spain
- Some signs of recovery in the USA and Australia
- Provisions for property and the Channel Tunnel
- Dividend maintained

PRELIMINARY RESULTS

| | 1992 | 1991 |
|---------------------|--------|--------|
| Pre-tax profits* | £120m | £123m |
| Earnings per share* | 20.2p | 24.4p |
| Dividends per share | 19.25p | 19.58p |

* pre-exceptional items (property and Channel Tunnel)
† 1991 adjusted for 1992 Rights Issue

هكذا من النظم

Dutch group aims for a promising package

Merger has created a new force in the European paper industry, says David Brown

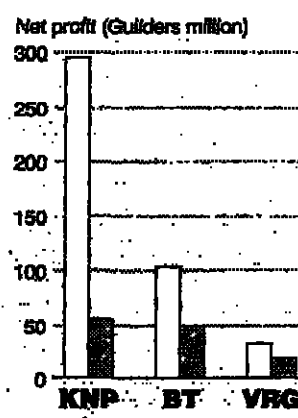
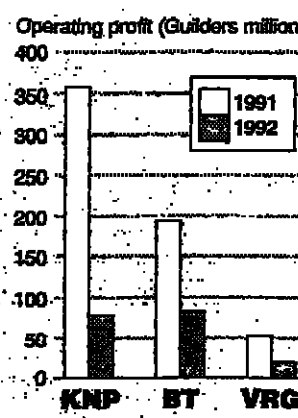
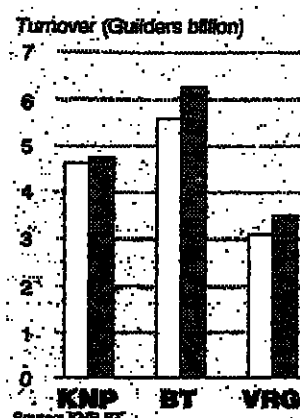
TOMORROW will witness the emergence of a new player in the European paper and packaging industry. KNP BT, a product of the merger of Holland's top three competitors - KNP, Bührmann-Tetterode and VRG - will have annual sales of £1.3bn (\$7.2bn) and fits just behind Stora of Sweden in the European league.

It will be the EC's leading paper merchant, its leading producer of fine coated papers, and a dominant player in solid board, used primarily to package fruit and vegetables.

Though positioned to cash in on any upturn in the unified European market, KNP BT is emerging in a dismal economic environment. Virtually all players are suffering from over-capacity and flaccid demand, and it is unclear whether the current hopeful glimmers will translate to more vigorous growth later this year.

In 1992, each of the three partners saw their profits slump, even if none actually spilled red ink. Mr Robert van Oordt, the former Bührmann-Tetterode chairman who is stepping up to be the new chief, admits he is "not terribly optimistic about 1993. Next year might see an upturn."

KNP BT, whose costs are denominated in "hard" guilders, "can never predict such things as devaluations in Scandinavia or revaluations elsewhere. These can radically change the business overnight," Mr van Oordt observes. KNP BT believes greater diversity through integration will insulate it against cyclical fluctuations and generate cash-flow sufficient to strengthen the balance sheet plus finance investments and acquisitions.



Source: KNP BT

The new group has two business arms: KNP and BT's paper and packaging production, which will be joined into a new industry operation, and BT and VRG's complementary activities in office products, graphic paper and systems, plus information systems, which will be folded into a new trading and distribution arm.

"If you look carefully... a lot of what we do is paper, but certainly not the majority," Mr van Oordt says.

For all players, "the name of the game now is to absorb the excess capacity," says Mr van Oordt.

Margins in packaging are also under pressure, although both fine papers and packaging may be among the first to benefit from any cyclical upswing.

A new strategy will come in the office products market. BT's existing activity in the US ranks second after Boise-Cascade, with annual sales of \$420m.

After establishing a strong regional base, BT spread nationwide to form what today represents one of the new group's few real growth markets. The ambition is "to replicate" the achievement in Europe. Mr van Oordt sees particularly synergies emerging in office products and information services, using overlapping customer lists to offer complementary services.

At present, office products account for a relatively small slice of the merged business - 7 per cent of turnover but less of total operating profit. Nevertheless, Mr van Oordt says, "we have acquisition plans - very targeted and focused. You will not see huge investments in capacity or acquisitions in the next few years, but strategically-placed expansion in areas like office products, information systems and, possibly, packaging."

Among the benefits of the merger, Mr van Oordt stresses accelerated rationalisation above all else. "Better planning of inventories, better logistics and distribution, better use of existing production capacity."

The graphic systems division faces stagnant demand and a serious product overlap. BT sells 25 per cent of the printing machines produced by Germany's Heidelberg. VRG is a leading agent for MAN Roland.

The new group is thus in the odd and unsustainable position of acting as exclusive agent for two competing players. "Obviously very difficult," says Mr van Oordt. The EC merger

taskforce, in the second phase of investigating the deal, agrees.

"On the basis of our discussions with... Brussels, we've concluded we will have to make a choice in the Benelux [between Heidelberg and MAN Roland]. We will try to resolve this situation in the first half of this year." One resolution may lie in a management buy-out of the VRG/MAN Roland franchise, analysts suggest.

Another concern lies in paper merchandising, where BT has traditionally traded on its independence from big suppliers. Will its amalgamation into the new KNP BT combine prove counterproductive?

"The merchandising arm will have the same independence as before," insists Mr van Oordt. "We will still buy 75 per cent of our paper requirements outside our own network."

However, he is careful to add: "The world moves on. Closer relationships between suppliers and distributors have become more common... than they used to be."

Whether the merger will deliver the hoped-for benefits remains unclear. Among the outstanding concerns is the clash of personalities and management styles involved in joining three former competitors. However, coming when the likes of truckmaker Daf, electronics giant Philips and aircraft producer Fokker are either drastically scaling down or falling prey to foreign buyers, the KNP BT merger has the important domestic virtue of being a uniquely "Dutch solution".

APPOINTMENTS HYDRO-QUEBEC

Richard Drouin, Chairman of the Board and Chief Executive Officer, is pleased to announce the following appointments.



André Delisle

André Delisle is appointed Executive Vice President Finance and Corporate Planning, effective March 29. He will be the utility's chief financial officer.



Daniel Leclair

Daniel Leclair is appointed Vice President Financing and Treasurer.

Mr. Leclair, who holds a bachelor's degree in economics, has worked on the local and international level in a broad spectrum of treasury and financing operations. Prior to joining Hydro-Québec he was Vice President and Treasurer at Montreal Trust. He also worked at the Chase Manhattan Bank of Canada, the Caisse centrale Desjardins du Québec, the National Bank of Canada, and the Caisse de dépôt et placement du Québec, among others.

Hydro-Québec is one of North America's largest electric utilities in terms of assets and sales volume, and generates, transmits and distributes almost all the electricity consumed in Québec. Its activities include energy-related research and promotion, energy transformation and conservation, and other activities in the energy field.

ANNOUNCEMENT

INVESTMENT OPPORTUNITY ASWAN OBEROI

The Egyptian General Company for Tourism and Hotels, an affiliated company of the Tourism Holding Company, owned by the Government of Egypt, announces the proposed divestiture of the Aswan Oberoi.

The five star Aswan Oberoi opened in 1975 and is ideally located on Elephantine Island in the middle of the Nile, close to central Aswan. Its primary clientele are foreign tourists. The hotel has 190 rooms and 38 suites, in addition to eight two-room villas giving a total capacity of 244 rooms. The hotel and its grounds occupy approximately 60,000 square meters of land and the constructed area is approximately 22,000 square meters.

Unaudited 1992 revenues were in excess of 20 million Egyptian pounds and the Hotel is profitable.

The Aswan Oberoi is operated by Oberoi Hotels Private Limited under a management contract. It has approximately 40 permanent employees.

Parties interested in this unique opportunity may obtain the necessary information describing the assets for sale on writing to the Financial Agent named below stating in full their activities, legal & financial status and source of finance.

Dr. Hazem El Beblawi
Chairman
Export Development Bank of Egypt
10 Talaat Harb Street
Evergreen Building
Cairo - Egypt
Tel. (202) 776 331

Applications can be received until
Wednesday 31st March 1993

N American groups to link fertiliser interests

By Bernard Simon

COMINCO, the Vancouver-based mining group, and Alberta Energy Company of Calgary plan to combine their fertiliser interests in a new publicly-listed company. The entity, to be called Cominco Fertilisers, will be among North America's biggest integrated fertiliser producers, with annual output of 1.6m tonnes of nitrogen products and over 1m tonnes of potash.

Cominco Fertilisers plans to raise about \$410m (US\$79m) through an initial public offering, which is expected to be priced in early April. Following the share issue, Cominco will have a 50 per cent interest in Cominco Fertilisers and Alberta Energy 10 per cent.

The two companies are partners in several nitrogen plants and distribution facilities in western Canada and the mid-west US. But the growth of the fertiliser business has had to take a back seat in recent years to Cominco's efforts to turn around its loss-making, and much bigger, mining and metals division.

The creation of a separate unit and the infusion of new equity is expected to broaden the horizons of the fertiliser unit. Cominco said that Cominco Fertilisers "is examining a number of expansion and growth opportunities".

Woolworth rises to \$280m

By Nikki Teit in New York

WOOLWORTH, the general merchandise and specialty store retailer, yesterday reported after-tax profits of \$280m in the 53 weeks to January 30 - a considerable improvement on the previous year's \$166m loss. Sales in the full year and the final quarter were flat.

The 1992-3 profits total was free of any one-off accounting-related "or restructuring charges and came after net profit of \$165m in the final three months.

The 1991-2 figure included an after-tax restructuring charge of \$250m - to cover an accelerated store redeployment programme - and an accounting-related charge of \$113m. The restructuring charge was taken in the fourth quarter of 1991-2.

when the net loss totalled \$128m. Woolworth said sales in 1992-3 reached \$9.96bn, virtually unchanged. The fourth-quarter sales figure was \$3.13bn.

The full-year and final-quarter revenues from the specialty stores increased slightly, while general merchandise revenues showed a small decline. Woolworth noted that sales figures had been depressed by a store closure programme, although it said this had a positive effect on operating profits.

In terms of 1992-3 operating results, the specialty stores made a profit of \$418m, against \$312m in the previous 52-week period. The general merchandise operations recorded a profit of \$156m, compared with \$131m.

● Tiffany, the upmarket US jewellery retailer, continued to

suffer from the decline in luxury goods spending and a decline in sales to Japan during the fourth quarter.

It posted final-quarter profits of \$8.66m after tax, down from \$12.1m in the same period of 1991-2, taking the total for the year to end-January to \$15.7m, compared with \$25.5m last time.

● General Cinema, the investment company whose interests range from publishing to a majority stake in the Neiman Marcus retail business, announced an after-tax profit of \$31.8m in the three months to end-January.

This compared with \$407.2m profits figure last time which was scored after a \$39.2m accounting charge and a \$419.6m extraordinary gain. Operating profits increased from \$43m to \$45.6m.

Rockwell to take over Swiss controls company

By Ian Rodger in Zurich

SPECHER & Schuh Holding, the Swiss electrical engineering group, is selling its low voltage electro-mechanical controls company and the Sprecher & Schuh name and trademark to Rockwell International of the US.

Terms of the transaction were not revealed, but Mr Hans von Werra, managing director of the Swiss company, said it was a cash deal. The business accounted for roughly half of the group's turnover and profit. Turnover in 1991 was Sfr494.9m (\$323m).

Mr von Werra said the business, which is active mainly in European markets, was not large enough to succeed in the future on its own. Attempts to

make an acquisition had failed so the group decided to sell it.

It will become part of Rockwell's Allen-Bradley controls division. Mr Don Davis, president of Allen-Bradley, said the acquisition would strengthen the US group's global market position.

The S & S low-voltage control business, with factories in Switzerland, Italy, the UK and South Africa, will continue under its current management. Mr Davis foresaw joint development of new products by it and Allen-Bradley.

Mr von Werra said that a condition of the deal was that S & S would change its name by the end of 1994. The proceeds would go into industrial investments.

Downgrading for Bronfman

By Bernard Simon in Toronto

DEBT issued by four holding companies in the Bronfman business empire has been downgraded to below investment grade by Canada's Dominion Bond Rating Service. DBRS said the downgrade, which affects Brascan, Hees International Bancorp, Trilon Financial Corp and Great Lakes Power, reflected the inability of companies in the Bronfman group to raise new debt or equity.

The rating on Brascan's senior debt has been cut to BBB High from A Low. Hees' senior-debt rating has dropped to BBB from A High. Trilon is down to BBB from A. The rating on Great Lakes' commercial paper has fallen to R-2 High from R-1 Low.

European Car of the Year.
1991 Fiat Uno
1985 Opel Kadet
1986 Ford Scorpio
1987 Opel Omega
1988 Peugeot 405
1989 Fiat Tipo
1990 Citroen XM
1992 VW Golf
1993 Nissan Micra

Driving through the storm.

Although the general business outlook is still uncertain, SKF, the world leader in rolling bearings, is strengthening its position in the automotive industry by winning contracts for new car models and penetrating new markets. Innovation, quality and service are among the reasons.

For the anti-lock braking systems now widely used by car manufacturers, SKF has developed bearing hub units with integral wheel speed sensors, so that ABS assembly easier, operation more reliable and the car safer. Further evidence of SKF success as a major automotive supplier is the fact that nine out of ten last "European Car of the Year" models have all been SKF equipped.

Improvement and development in SKF products, processes and procedures is continuous to the benefit of customers in over 130 countries.

1992 SKF Group Results
SKF's consolidated loss after financial income and expense amounted to -1,777 million Swedish kronor (-174m) in 1992, compared with a loss of SEK -221m (-21m) for the preceding year. The result includes an allocation of SEK 1.1 billion (£108m) relating to structural measures that will be implemented during 1993 and 1994. Sales during the year totalled SEK 26,649m (£2,610m) against SEK 26,202m (£2,470m) in 1991. External sales within the Ovako Steel division amounted to SEK 2,277m (£223m). This means that Group sales, excluding Ovako, decreased by 7 per cent in 1992 in SEK compared with 1991. During 1991, Ovako's result was reported as an associated company.

The recession, which started in 1990, continued and deepened in 1992. For SKF, this trend meant that efforts to adapt the Group's operations to the declining demand were continued and assigned high priority.

Demand in the European market, which accounts for 60 per cent of Group sales, declined steadily and accelerated downwards towards the end of the year. The trend in Germany was particularly weak.

Despite the depressing trend for the European car industry, SKF was able to secure new contracts with initial deliveries of wheel-bearing units equipped with Sensor, a sensor that feeds information to the ABS system, being made.

Conditions in the United States improved during the year. For the second year in a row, SKF increased both its sales and earnings in this market. The seals company, Chicago Rawhide (CR), represents a successful and profitable part of the Group's North American operation.

The Board of Directors proposes that no dividend be paid.

For more information please contact SKF Group Public Affairs, S-415-90 Göteborg, Sweden. Tel: +46-31-371000.

Average rate of exchange for 1992: 1 GBP = 10.21 SEK.



New Issue
Closing
February 17, 1993



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matter of record only.

Republic of Austria

DM 500,000,000
Floating Rate Notes of 1993/2003

Issue Price: 100 %
Interest Rate: 8 1/4 % p.a., payable annually in arrears on February 17, 1994 and 1995, thereafter 13 1/4 % p.a. less Six-Months-DM-LIBOR, payable semi-annually in arrears on February 17 and August 17 of each year. The deduction shall not exceed 13 1/4 % p.a.
Repayment: February 17, 2003, at par
Listing: Düsseldorf and Frankfurt/Main

Trinkaus & Burkhart
Kommanditgesellschaft auf Aktien

| | | |
|---|---|---|
| ABN AMRO Bank (Deutschland) AG | Bank Austria Z-Länderbank Bank Austria AG | Bank Brussel Lambert N.V. |
| Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft | Bayerische Landesbank Girozentrale | |
| Bayerische Vereinsbank Aktiengesellschaft | BHF-BANK | Creditanstalt-Bankverein |
| Daiwa Europe (Deutschland) GmbH | Deutsche Apotheker- und Ärztebank eG | |
| DG BANK | Goldman, Sachs & Co. oHG | Hamburgische Landesbank - Girozentrale - |
| Deutsche Genossenschaftsbank | | |
| Industriebank von Japan (Deutschland) Aktiengesellschaft | Kreditbank International Group | |
| Landeskreditbank Baden-Württemberg | Merrill Lynch Bank AG | |
| Samuel Montagu & Co. Limited | J. P. Morgan GmbH | Morgan Stanley GmbH |
| Raiffeisenbank Kleinwalsertal | RZB-Austria Raiffeisen Zentralbank Österreich AG | |
| Salomon Brothers AG | Schweizerische Bankgesellschaft (Deutschland) AG | |
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New Issue
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February 10, 1993



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European Investment Bank

DM 300,000,000
Floating Rate Notes of 1993/2003

Issue Price: 100 %
Interest Rate: 9 % p.a., payable in arrears on February 10, 1994, thereafter 13 % p.a. less Six-Months-DM-LIBOR, payable semi-annually in arrears on February 10 and August 10 of each year. The deduction shall not exceed 13 % p.a.
Repayment: February 10, 2003, at par
Listing: Düsseldorf and Frankfurt/Main

Trinkaus & Burkhart
Kommanditgesellschaft auf Aktien

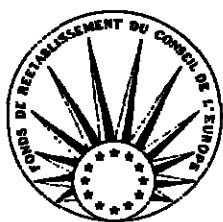
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| ABN AMRO Bank (Deutschland) AG | Bank Austria Z-Länderbank Bank Austria AG | Bank Brussel Lambert N.V. |
| Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft | Bayerische Vereinsbank Aktiengesellschaft | BHF-BANK |
| Creditanstalt-Bankverein | Daiwa Europe (Deutschland) GmbH | |
| Deutsche Apotheker- und Ärztebank eG | Deutsche Bau- und Bodenbank Aktiengesellschaft | |
| DSL Bank Deutsche Siedlungs- und Landesrentenbank | Hamburgische Landesbank - Girozentrale - | |
| Landeskreditbank Baden-Württemberg | Samuel Montagu & Co. Limited | |
| J. P. Morgan GmbH | Morgan Stanley GmbH | NOMURA BANK (Deutschland) GmbH |
| Raiffeisenbank Kleinwalsertal | Salomon Brothers AG | |
| Schweizerische Bankgesellschaft (Deutschland) AG | SGZ Bank AG | |
| Stadtparkasse Köln | WGZ-BANK Westdeutsche Genossenschafts-Zentralbank eG | |

New Issue
Closing
February 17, 1993

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The Council of Europe Resettlement Fund

for National Refugees and Over-Population in Europe
Strasbourg/Paris



DM 200,000,000
Floating Rate Notes of 1993/2003

Issue Price: 100 %
Interest Rate: 8 1/4 % p.a., payable annually in arrears on February 17, 1994 and 1995, thereafter 13 % p.a. less Six-Months-DM-LIBOR, payable semi-annually in arrears on February 17 and August 17 of each year. The deduction shall not exceed 13 % p.a.
Repayment: February 17, 2003, at par
Listing: Düsseldorf and Frankfurt/Main

Trinkaus & Burkhart
Kommanditgesellschaft auf Aktien

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| ABN AMRO Bank (Deutschland) AG | Banca del Gottardo | Bank Austria Z-Länderbank Bank Austria AG |
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| Bayerische Vereinsbank Aktiengesellschaft | BHF-BANK | Creditanstalt-Bankverein |
| Daiwa Europe (Deutschland) GmbH | Deutsche Apotheker- und Ärztebank eG | |
| Deutsche Bau- und Bodenbank Aktiengesellschaft | Hamburgische Landesbank - Girozentrale - | |
| Industriebank von Japan (Deutschland) Aktiengesellschaft | Landeskreditbank Baden-Württemberg | |
| Samuel Montagu & Co. Limited | J. P. Morgan GmbH | Morgan Stanley GmbH |
| Raiffeisenbank Kleinwalsertal | Salomon Brothers AG | |
| Schweizerische Bankgesellschaft (Deutschland) AG | Stadtparkasse Köln | |
| Sumitomo Bank (Deutschland) GmbH | WGZ-BANK Westdeutsche Genossenschafts-Zentralbank eG | |

New Issue
Closing
March 5, 1993

All these Notes having been sold,
this advertisement appears as a
matter of record only.

Landeskreditbank Baden-Württemberg Karlsruhe

DM 200,000,000
Floating Rate Notes of 1993/2003

Issue Price: 100 %
Interest Rate: 9 % p.a., payable on June 6, 1994 for the period from March 5, 1993 until June 5, 1994 (inclusive), thereafter 13 % p.a. less Six-Months-DM-LIBOR, payable semi-annually in arrears on June 6 and December 6 of each year. The deduction shall not exceed 13 % p.a.
Repayment: June 6, 2003, at par
Listing: Stuttgart, Düsseldorf and Frankfurt/Main

Trinkaus & Burkhart
Kommanditgesellschaft auf Aktien

| | |
|---|--|
| ABN AMRO Bank (Deutschland) AG | Baden-Württembergische Bank Aktiengesellschaft |
| Bank Brussel Lambert N.V. | Bayerische Landesbank Girozentrale |
| Deutsche Apotheker- und Ärztebank eG | Deutsche Bau- und Bodenbank Aktiengesellschaft |
| Genossenschaftliche Zentralbank AG Stuttgart | Industriebank von Japan (Deutschland) Aktiengesellschaft |
| Morgan Stanley GmbH | Salomon Brothers AG |
| SGZ Bank AG | Schweizerische Bankgesellschaft (Deutschland) AG |
| WGZ-BANK Westdeutsche Genossenschafts-Zentralbank eG | |

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A fresh option for HK gamblers

Simon Holberton looks at the latest outlet for the colony's investors

THE introduction of traded options on the Hong Kong Futures Exchange tomorrow completes the rehabilitation of an institution which has fought successfully to throw off the bad odour surrounding its closure and reform in the aftermath of the 1987 stock market collapse.

Before the crash, Hong Kong's futures market vied with the Chicago Mercantile Exchange for the exchange which had the biggest volume of daily trade in index futures. That all came unstuck in October 1987 when Hong Kong got a salutary lesson in the meaning of open-ended risk.

Mr Kevin Snowball, managing director of Morgan Grenfell Asia Futures (Hong Kong), says: "We now have a more professional futures market, and the introduction of options is an extension of that."

The exchange will offer a range of traded options built around the Hang Seng Index - Hong Kong's bellwether stock market index - with 56 separate contracts for trading.

Traded options have been two years in the making. According to Mr Gary Knight, the exchange's chief executive,

the exchange has put more than 700 individuals through extensive training courses. It has also acquired and customised a version of the Chicago Options Clearing Corporation's clearing system.

"Options have proved themselves to be an essential tool for all kinds of investors," says

"In what other country do you get grannies who take out swap deposits?"

Mr Knight. "How quick the options market grows depends basically on the education process of all investors. But we take a very long view on the market. We think the stock market will continue to expand on the back of internal growth and because of Hong Kong's proximity to China."

If the history of futures trading is a guide, then that process may not take much time at all. The index futures began trading in May 1986 with an average daily turnover of 1,600 contracts; by September 1987, average daily turnover had swollen to 27,318 contracts.

Analysts believe options will appeal to local "retail" investors

and to institutional investors. Says Mr Archie Hart, head of research at Crosby Securities: "There is quite a demand for geared plays in Hong Kong. In what other country do you get grannies who take out swap deposits?"

Options on the Hang Seng Index will offer the gearing,

but unlike futures, where risk can be unlimited, the buyer of an option knows his maximum exposure at the outset.

For the institutional investor, the advent of Hang Seng Index options may also be a boon. Many international investors, especially US funds, have minimum dealing sizes that make trades difficult to execute in Hong Kong.

The reason is much of Hong Kong's stock market listed equity belongs to family owners or large mainland Chinese investors. Tradeable equity in Hong Kong Telecom is 21.6 per cent of issued capital: in Citic Pacific, 40 per cent; in Hutchison Whampoa, 39 per cent.

If the traded option on the Hang Seng Index is successful, and most think it will be, then the next step is for individual stock options to be traded. Last week, both Chicago and New York began trading an option on Hongkong Telecom's ADRs. But the futures exchange is not likely to carry trading in stock options when they appear. That seems likely to be the province of the Hong Kong Stock Exchange which, as a prelude to trading, will have to repeal the existing prohibition on "short selling".

Currently in Hong Kong, stock options exist in the form of warrants. These are almost always "call" options and usually have maturities ranging from two to five years. The capitalisation of this market is in excess of HK\$25bn.

Analysts believe the covered warrant market - making for nearly 40 per cent of the Hong Kong futures exchange - is most at risk from the introduction of stock options.

Says Mr Justin Kennedy, of Warburg Securities: "Retail investors... will like stock options because they are short-dated, highly geared and extremely volatile."

CRA ahead 9.6% against falling commodity prices

By Bruce Jacques in Sydney

CRA, the Australian mining house, has held out against the tide of falling commodity prices to report increased sales and earnings for 1992.

Strong contributions from coal and diamonds helped the company to report a 9.6 per cent rise in equity-accounted net earnings to A\$411.4m (US\$233.5m) from A\$375.4m in 1991, on a 5.8 per cent rise in sales to A\$5.24bn from A\$4.95bn.

The annual dividend has been raised to 45 cents a share from 34 cents.

The result was also helped by the falling Australian currency and a substantial cut in tax and financing charges. This allowed the company to further boost its already strong balance sheet. Tax and other

government charges took A\$600.5m, compared with A\$744.9m, and financing operations were down to A\$62.2m, from A\$115.0m.

The directors said gross balance sheet debt had fallen to A\$1.20bn, from A\$1.51bn, reducing gearing to 30.8 per cent, from 34.9 per cent. The company's position was further improved by a halving of capital expenditure to A\$520.3m from A\$1.09m, while cash-flow rose to A\$1.1bn from A\$1.0bn.

Iron ore remained the company's biggest contributor to earnings, but profits eased to A\$349.1m from A\$416.3m. Coal increased its profits to A\$102.4m from A\$67.1m and diamonds jumped to A\$82.3m from A\$52.0m.

The copper/gold division turned a A\$24.2m loss into a A\$22m profit. The contribution

from aluminium more than doubled to A\$31.1m from A\$14.6m. The lead/zinc/silver operations reduced their losses to A\$6.8m from A\$32.1m.

The directors said the company had conducted an asset review resulting in a A\$322.5m write-down of assets. They described 1992 as another disappointing year for mineral producers and said any improvement in the current year was highly dependent on the US, Japanese and German economies.

"The supply side of the metal equation remains one of over-supply," they said. "A major contributing factor is the Commonwealth of Independent States, which is maintaining high levels of metal exports into markets characterised by substantial inventories and low price levels."

NTT shares continue to surge

By Emiko Terazono in Tokyo

SHARES in Nippon Telegraph and Telephone, Japan's semi-privatised telecommunications company, surged in Tokyo yesterday as investors' hopes rose that the government would act to boost their price.

NTT shares, which are the country's most widely held stock, have risen 15.5 per cent in the past month. This follows calls by a ruling Liberal Democratic Party politician for the government to boost the stock market by supporting NTT's shares, plus a restructuring plan announced by the company last week.

Yesterday, its shares rose 3.7 per cent to ¥770,000 on volume of 54,624 shares, the heaviest since April 1987, when the stock hit its peak of ¥3.18m a share.

A further rise in NTT shares would allow the Japanese government, which still owns two-thirds of the company, to sell its holding. It would also pave the way for the listing of JR East, a regional railway company created by the break-up of the national Japan Railways.

While the finance ministry denies propping up NTT's shares, Mr Kibun Muto, head of the LDP's tax research commission, says the government should support the stock up to its flotation price of ¥1.197m. NTT shares have fallen for more than five years on grim profit expectations. The NTT share plunge last year dragged down the whole market.

Mr Muto says NTT is a symbol of the Tokyo stock market, and has proposed measures including NTT's purchase of half of the 10m shares held by the government, cost-cutting through restructuring and a rise in city call rates.

A restructuring announced by the company last week adds weight to Mr Muto's proposals. NTT will cut its workforce by 30,000 over the next three years and cut its 1,300 retail outlets by one-third.

Sumitomo Heavy cuts dividend and forecast

By Emiko Terazono

SUMITOMO Heavy Industries, a leading Japanese ship-builder, is to cut its annual dividend by ¥1 to ¥3 per share for the year to March 1993 due to a sharp fall in profits.

Sumitomo also announced a downward revision of its profit forecast. It now expects non-consolidated pre-tax profits to fall to ¥1.5bn (¥12.7m), down from an earlier estimate of ¥3bn. Sales are now projected to total ¥285bn, down from a previous projection of ¥300bn.

Japan bank strengths to diverge

By Emiko Terazono

ASSET quality problems among Japanese banks and their capacity to deal with bad loans will open up differences between the strongest and the weakest banks, says IBCA, the UK ratings agency.

In a report yesterday on asset quality at Japanese banks, IBCA says city banks - or commercial banks - are in a better position, while some trust banks may not be able to make provisions in the next few years.

One of the more prominent problems weighing on Japan's banks has been loans to the country's eight housing loan companies - non-financial

institutions which have been hit hard by bad property-related loans.

Including the restructuring scheme for Nippon Housing Loan, finally approved by its creditors last week, interest foregone by 21 banks will total about 8 per cent of projected business profits.

IBCA says the average proportion of lost income opportunity for city banks will be about 3 per cent of business profits, 17 per cent for the long-term credit banks and 50 per cent for the trust banks.

The opening of new areas of business for banks, due to the easing of barriers between the banking and securities industries,

will also flush out the strength differences in strength between Japanese banks.

Standard and Poor's, the US credit ratings agency, downgraded debt ratings of Tokai Bank and Hokkaido Tokai Bank, two Japanese city banks. Daiwa Bank was placed under review for a possible downward revision.

S&P downgraded Tokai's long-term debt to A minus, from A, due to a rise in problem loans. Hokkaido Tokai's short-term debt was lowered to A-3, from A-2, due to a decline in asset quality and a rise in problem loans.

Berjaya wins Chinese contract for lottery

By Khoran Cooke in Kuala Lumpur

BERJAYA, a widely-diversified Malaysian conglomerate, has signed a contract with Guangdong, the southern Chinese city, to set up and run a lottery.

The project, with an initial value of US\$16m, will be run by Berjaya Lottery Management, a Hong Kong-based subsidiary of the Berjaya group.

Berjaya said it was also pursuing a number of other projects in the gaming and leisure industry in China. The group proposes to raise M\$326m (US\$98m) through a rights issue to finance its China operations.

Berjaya's project is one of the first involving a foreign company agreed by the Chinese authorities.

Overseas earnings help Boral climb to A\$102.8m

By Bruce Jacques

A RISE in overseas earnings helped Boral, the Australian construction and engineering group, reverse a downward trend in its earnings.

The company raised net profits by 12.7 per cent to A\$102.8m (US\$73.4m) in the first half to December, from A\$91.3m a year earlier, on a 10.4 per cent rise in sales to A\$2.09bn, from A\$1.89bn. The interim dividend is being held at 8 cents a share.

"The directors have forecast higher profits for the full year, but said: 'Low levels of economic activity in Australia continue to constrain demand for many of Boral's products.'"

"It is hoped that confidence will improve following the forthcoming federal election. Non-dwelling building is still at low levels, but government expenditure on infrastructure should produce a positive contribution in the next financial year."

Australian Gas Light, the Sydney-based petroleum utility, has come through a period of big asset acquisitions and disposals with a strong rise in first-half earnings.

The company yesterday declared a rise in interim dividend to 7 cents a share from 6 cents, following a 32.6 per cent advance in earnings to A\$42.4m for the six months to December from A\$31.8m. Revenue rose 1.5 per cent to A\$477.1m.

Woodside Petroleum, the Australian offshore gas producer, has held its annual dividend at 8 cents a share, despite dipping into the red in 1992. A deferred tax provision of A\$65.8m against a nil charge previously sent the company tumbling to net losses of A\$22.6m, from profits of A\$116.5m the year before.

Air New Zealand up 8.6% at half-year

By Terry Hall in Wellington

AIR New Zealand yesterday announced an 8.6 per cent rise in net profits to NZ\$30.5m (US\$32.1m) for the six months to December, from NZ\$28.1m a year earlier, in the face of difficult markets. Sales advanced 6.9 per cent to NZ\$1.16bn from NZ\$1.09bn.

Mr Bob Matthews, chairman, said the result compared with record losses by US airlines and generally lower earnings reported by Asian and European carriers. He said the profit was achieved as the global industry was experiencing little or

no growth, excess aircraft capacity and aggressive price competition.

Mr Matthews expects the company to announce profits for the full year similar to last year's NZ\$115.1m, given the difficult trading conditions in the industry.

Air New Zealand said total assets rose by 16.8 per cent to NZ\$2.51bn. Shareholders' funds rose 9.7 per cent to NZ\$1.06bn.

The directors said demand was "soft" in the company's traditional markets of the US, UK and Australia and New Zealand. The increasingly important Asian markets of Japan and Taiwan experienced slower

growth. Flight revenue to Asia rose 13 per cent, but net earnings were relatively flat.

The company reported "other revenue" was up NZ\$57m to NZ\$235m. This was mainly due to strong growth in international cargo, while its New Zealand subsidiary, Mount Cook Airlines, performed well due to a good ski season.

Passenger sales revenue rose 2 per cent to NZ\$907.85m. Interest costs fell to NZ\$23m from NZ\$24, and one-off redundancy costs totalled NZ\$3.2m.

The interim dividend is unchanged at 4 cents a share.

New Issue
Closing
February 17, 1993

All these Warrants having been sold, this advertisement appears as a matter of record only.

The Council of Europe Resettlement Fund

for National Refugees and Over-Population in Europe
Strasbourg/Paris



1,000,000 Bearer Warrants of 1993/1995
entitling the holders to purchase up to
DM 100,000,000 Floating Rate Notes
of 1995/2003

Exercise date: The Warrants may only be exercised between January 2, 1995 and January 24, 1995, 5.00 pm (Düsseldorf time), with effect to February 17, 1995.

Warrant right: The holder of one hundred Warrants is entitled to purchase in accordance with the Conditions of Warrants one Bearer Note in the principal amount of DM 10,000 of a Floating Rate Note Issue of the Council of Europe Resettlement Fund, due February 17, 2003, at a purchase price of 100% of the principal amount. The Floating Rate Notes pay a coupon of 13% p.a. less Six-Months-DM-LIBOR, payable semi-annually in arrears on February 17 and August 17 of each year. The deduction shall not exceed 13% p.a.

The Notes purchased by exercising the Warrants have the same terms and conditions as the Notes of the DM 200,000,000 Floating Rate Note Issue of the Council of Europe Resettlement Fund of 1993/2003 and are fully fungible with said issue following stock exchange listing.

Listing: Düsseldorf and Frankfurt/Main (Freiverkehr)

Trinkaus & Burkhardt
Kommanditgesellschaft auf Aktien

New Issue
Closing
March 5, 1993

All these Warrants having been sold, this advertisement appears as a matter of record only.

Landeskreditbank Baden-Württemberg

Karlsruhe

1,000,000 Bearer Warrants of 1993/1994
entitling the holders to purchase up to
DM 100,000,000 Floating Rate Notes
of 1994/2003

Exercise date: The Warrants may only be exercised between May 2, 1994 and May 20, 1994, 5.00 pm (Düsseldorf time), with effect to June 6, 1994.

Warrant right: The holder of one hundred Warrants is entitled to purchase in accordance with the Conditions of Warrants one Bearer Note in the principal amount of DM 10,000 of a Floating Rate Note Issue of Landeskreditbank Baden-Württemberg, due June 6, 2003, at a purchase price of 100% of the principal amount. The Floating Rate Notes pay a coupon of 13% p.a. less Six-Months-DM-LIBOR, payable semi-annually in arrears on June 6 and December 6 of each year. The deduction shall not exceed 13% p.a.

The Notes purchased by exercising the Warrants have the same terms and conditions as the Notes of the DM 200,000,000 Floating Rate Note Issue of Landeskreditbank Baden-Württemberg of 1993/2003 and are fully fungible with said issue following stock exchange listing.

Listing: Stuttgart, Düsseldorf and Frankfurt/Main (Freiverkehr)

Trinkaus & Burkhardt
Kommanditgesellschaft auf Aktien

INTERNATIONAL CAPITAL MARKETS

German issues advance as rate cut hopes gain ground

By Richard Waters in London and Patrick Harverson in New York

GERMAN government bonds advanced again yesterday on renewed confidence that official interest rates were about to head lower. This was despite a setback in the bond market on Tuesday, caused by the Bundesbank's decision not to lower money market rates through its regular repurchase agreement (or repo) auction.

The March bund futures contract on Liffe moved ahead from 95.47 to 95.82 late in

Views seemed finely balanced, with some analysts arguing that the Bundesbank would not act for another two weeks, until after the so-called Solidarity Pact to stimulate economic growth in eastern Germany had been finalised. Others said a cut at that time, just ahead of the French election, could look too much like a panic measure, prompting the authorities to move today instead.

On balance, a majority of analysts were still predicting a 50 basis-point cut in both the official Lombard and Discount rates would come today.

GOVERNMENT BONDS

the day on moderate trading of around 50,000 contracts, while the June contract advanced from 95.89 to 96.30.

Traders said that the fixed-rate repo on Tuesday at 8.49 per cent did not necessarily mean that the Bundesbank would not cut rates after its council meeting today, despite earlier disappointment in the market.

LONG-DATED UK government bonds moved ahead by as much as one-third of a point on the German rate cut hopes, leading to a further flattening of the gilt yield curve.

The spread between three-year and 15-year gilts fell to almost 150 basis points, having stood at 200 basis points a month ago.

As the market moved ahead, two £250m of tranches of new stock issued on Monday were sold out. These were the

FT FIXED INTEREST INDICES

| | Mar 3 | Mar 2 | Mar 1 | Feb 26 | Feb 25 | Year ago | High | Low |
|-----------------|--------|--------|--------|--------|--------|----------|--------|--------|
| Govt Bonds (UK) | 97.25 | 96.94 | 96.76 | 96.71 | 96.26 | 97.75 | 97.25 | 95.11 |
| Fixed Interest | 112.74 | 112.13 | 112.19 | 112.34 | 112.35 | 101.01 | 112.74 | 97.15 |
| 100 Govt Bonds | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 100 Govt Bonds | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 100 Govt Bonds | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Govt Bonds (UK) 97.25 96.94 96.76 96.71 96.26 97.75 97.25 95.11

Fixed Interest 112.74 112.13 112.19 112.34 112.35 101.01 112.74 97.15

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BENCHMARK GOVERNMENT BONDS

| | Coupon | Rate | Price | Change | Yield | Week ago | Month ago |
|-------------------|--------|-------|----------|--------|-------|----------|-----------|
| AUSTRALIA | 10.000 | 10/02 | 114.5000 | -0.003 | 7.82 | 8.05 | 8.05 |
| BELGIUM | 8.000 | 03/03 | 110.8050 | +0.180 | 7.48 | 7.59 | 7.57 |
| CANADA | 7.250 | 06/03 | 100.0000 | +0.250 | 7.25 | 7.41 | 8.00 |
| DENMARK | 8.000 | 03/03 | 97.1500 | +0.530 | 8.42 | 8.67 | 8.61 |
| FRANCE | 8.500 | 03/07 | 103.3018 | +0.274 | 7.51 | 7.77 | 8.02 |
| GERMANY | 8.000 | 07/02 | 105.2021 | +0.500 | 7.57 | 7.57 | 7.58 |
| ITALY | 12.000 | 05/02 | 98.5000 | +0.515 | 13.07 | 13.18 | 13.30 |
| JAPAN | No 110 | 4/02 | 106.1075 | +0.518 | 3.70 | 3.70 | 4.21 |
| NETHERLANDS | 8.250 | 04/02 | 111.2500 | -0.100 | 6.59 | 6.72 | 7.09 |
| SPAIN | 10.300 | 04/02 | 92.2000 | -0.100 | 11.06 | 11.07 | 11.82 |
| UK GILTS | 7.250 | 03/08 | 102.28 | - | 8.08 | 8.08 | 8.73 |
| US TREASURY | 6.875 | 02/03 | 102.22 | +15.22 | 6.88 | 6.14 | 6.38 |
| ECU (French Govt) | 7.125 | 02/23 | 104.04 | +18.92 | 6.80 | 6.86 | 7.20 |

London closing, denotes New York morning session. Yields: Local market standard. Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents).

Prices: US, UK in \$2nds, others in decimal. Technical Data/ATLAS Price Sources

included by unidentified central banks, which forced some short-covering by dealers, hopes for lower German interest rates, and municipal defeasance programmes, where municipal funds buy Treasury securities to use the cash flow from them to pay off old debt obligations.

Other factors at play

Some of the rise was attributed to expectations that the Federal Reserve would soon be buying large amounts of government securities to meet seasonal needs related to the end of the tax year.

Traders said there was no single reason for the strong

gains at the long end yesterday.

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Increasing concerns that are facing the smaller companies

A question of sink or swim on the main market

By Maggie Urry

SMALL COMPANIES and their advisers have been increasingly concerned that an "equity gap" has yawned before them, making it hard for them to raise long-term capital other than debt finance.

Small quoted companies are questioning whether they should continue with the expense of a listing. Unquoted ones are deterred from going public or raising equity privately. This is increasingly being seen as bad for the UK economy. Small companies are the big companies of the future. A number of events have fuelled this worry. The Stock Exchange's decision to close the Unlisted Securities Market, after the previous failure of the Third Market, will remove a "nursery" market for smaller companies. Companies will have to sink or swim on the main list.

The move by some brokers to stop marketing smaller companies has made it even harder for investors to deal in such companies, although in response to this the Stock Exchange has introduced the Seat order-driven system of trading. Similarly, there is little analysts' research into smaller companies. Public companies may find themselves caught in a size trap. Mr Michael Higgins of Charterhouse, the merchant bank, says, "They go public on the promise of access to

capital markets but unless they move quickly they get trapped." After the initial interest generated at the flotation, unless the market capitalisation moves up swiftly – usually through issues of shares for acquisitions – the interest can fade. But if they remain private, companies can find it difficult to raise equity capital on terms they are happy to agree, and many have resorted to debt finance despite the high interest rates of recent years.

Many smaller companies, according to Mr Richard Balakias, a leading light in the City Group for Smaller Companies (Cisico), are unaware of the role equity markets have to play. He suggests that the Stock Exchange has not done all it could to provide markets to meet the needs of smaller companies. Future attempts, he says, should be managed separately from the Stock Exchange's main list. Recession has taken its toll, too. Smaller companies perform worse in downturns, in part because they are usually more reliant on the UK economy than large companies which are likely to have international activities. However, all is not gloom. Mr Higgins says that now people are focusing on the problem some solutions are being put forward. Also as an end of recession institutional investors report a markedly more positive attitude to investment in small companies in the last few months. Retail investors

are also reported to be buying again as they seek a better return than is available from deposit accounts.

This week the Pilot Investment Trust was launched specifically to invest in companies with a market value of under £30m.

Even so there remains a problem for the smallest companies. As one institutional investor put it: "Not many people want to look at things under £20m. You cannot get a big enough holding to make it worth bothering with." However, he added that illiquidity is not always a problem. "People are prepared to put up with illiquidity if they think they have found a good story."

Mr David Lowe, a corporate finance director of Robert Fleming, the merchant bank, has found a similar problem. "Companies on the stock market valued at under £20m have considerable difficulty in raising interest among institutional investors," he says. Fleming's corporate finance department "is cautious of encouraging anybody to go to market at that level," he adds.

Small companies cannot go public, they may try to find private equity capital. But one of the main sources, venture capitalists, also has its drawbacks.

Mr John Jackson, the chairman of a number of smaller groups and a director of the new Pilot trust says: "Private companies are nervous of

venture capital because they feel that venture capitalists understandable interest in exit routes will lead them to be nudged in directions not necessarily in the best interests of their businesses."

A recent survey of private companies carried out by Baker Tilly, the accountants, found an over-dependency on short-term capital provided by clearing banks despite accusations that banks "turned their backs" in the recession. Fear of losing control was cited by these companies as another reason for avoiding venture capital. Solutions fall into two broad groups. First, there are various plans to develop new markets, such as Cisico's proposal for a separately managed market and the move to develop a "Euro-Nasdaq" along the lines of the US screen based dealing system.

Any new market must, however, be more robust than the previous ones which have disappeared when circumstances get difficult. Mr Balakias says that any new market must be one which does not "disappear when the next recession comes along."

But there are also calls for a change in the investment culture in the UK. Mr Jackson argues that years of high interest rates in the UK have made equity providers demand high rates of return which can be hard for companies to achieve. "If you are an ordinary company with ordinary

prospects it is difficult to persuade people to invest in equity," he says.

Further the institutional savings industry, spawned by tax breaks which are now largely abolished, means there is a much smaller retail market in the UK than in the US, for example. There is a different attitude to risk in the UK which can put investors off. "Any healthy economy has to have a large number of young companies, and must accept that some will not succeed," Mr Jackson says.

Mr Balakias suggests that there is still a core of retail investors interested in buying shares in small companies – perhaps local to them. But hopes of offsetting the tax breaks that spawned the big institutions with new tax concessions for direct share ownership are unlikely to come to fruition. Those tax breaks that have been introduced to help investment, such as the Business Expansion Scheme, have sometimes been abused by tax avoidance schemes.

Mr Lowe concludes: "The question is, is it a structural problem or is it that we are in a recession and people are not parting with their money? For good companies, there should always be a solution – it's up to the City to communicate its requirements for investment and up to companies to understand the requirements investors place on them."

USM debate shifts focus as deadline nears

By Peggy Hollinger

TOMORROW'S deadline for responses to the Stock Exchange's proposed closure of the Unlisted Securities Market has brought into focus previously ambiguous, and often confused arguments about a second market devoted to smaller companies.

After years of dipping into a variety of informal markets – from over the counter to Rule 535.2 – participants are now calling for a long-term solution to the public trading of smaller companies. For most, this means the creation of one or more tiers on the official list, excluding the FT-SE 350, which would carry less onerous requirements.

Yet this argument appears not to have reached the stock exchange in detailed form. The exchange is believed to have received fewer than 50 responses so far and to be disappointed with both the quantity and quality.

Two main concerns appear to be occupying those who have responded; first, inheritance tax exemptions for companies on the USM, and second, the costs of moving to the official list.

The stock exchange is believed to feel that neither is crucial enough to halt the demise of the USM. The tax concerns, introduced last August, have been raised by just 10 USM companies. Nevertheless, the issue will almost certainly have been addressed in the stock exchange's Budget submission.

On the second concern, the costs of moving to the main market will be largely eliminated by EC directives on listing particulars and concessions from the exchange itself.

Such moves are welcome, yet critics say they fail to address the problems of companies seeking to come to the market for the first time. The issue is made more pressing with the recent stock market revival in smaller companies.

The newest lobby group, the City Group for Smaller Companies, argues that the closure of the USM before a viable alternative is hammered out shows a lack of concern for this demand by the stock exchange. Cisico is angling for segmentation of the official list – ie setting up categories according to market capitalisation with appropriate class tests according to size.

Although the group has not yet produced an official policy statement, such a move, Richard Balakias, chief executive, says the most common view is that companies outside

the FTSE-350 should be governed by less onerous regulations.

Small company brokers, such as Albert E Sharp, tend to agree that a tier system on the existing list is the best possible route. "There is a certain credibility attached to something governed by the stock exchange," says Mr Eddie McCutcheon, head of corporate finance at Sharp's. Although the exchange would have to continue its regulatory role, Mr McCutcheon argues that it should be possible to set a "cut off below £50m where the rules are a little easier".

The stock exchange, for its part, would argue that a two or

After years of dipping into a variety of informal markets, players are seeking a long-term solution to the public trading of smaller companies. For most, this means creating one or more tiers on the official list

more tier system is likely to occur through evolution (although it would also say that it would be difficult to ease the requirements at the lower end while retaining a regulatory role).

Plans for the development of a Europe-wide trading facility for the largest companies could leave a national market with little more than those very companies that Cisico wants to highlight. Thus, by default, the stock exchange would be running a smaller companies market.

One source close to the exchange described such evolution as occurring through "the creation of a premier league, rather than the setting up of a fifth division".

Such evolution could take too long for those in the small company sector. Although they are demanding action now, little is likely to come of the recommendations received so far. The best that small company pundits can hope for might be the delay of the deadline for new admissions to the USM until amendments to EC directives take effect. Even that, largely symbolic gesture would be welcome. "I think I would like to see that firmly in place before they pull down the shutters on the USM," says Mr McCutcheon.

Xenova plumps for ease of US offering

By Maggie Urry

WHEN XENOVA, a UK bio-technology company, was seeking to raise its next stage of financing last year, it became the obvious solution to tap the US market rather than seek more cash in the UK.

Mr Phillip Price, finance director, said: "There is much more understanding of biotech companies in the US. It is a lot easier to make an offering in the US than the UK."

The alternative would have been a private placing with UK institutional investors.

But with only one biotech company listed on the Stock Exchange there are not many analysts covering the industry. Xenova did not feel it could act as a pioneer, educating investors.

Xenova completed a \$30.5m (£21.3m) private placement of equity at the turn of the year. Mr Price said that part of the attraction of the offering was that it was made under Regulation D of the Securities Act in the US.

This allows exemptions from the Securities and Exchange Commission if the placement is targeted at high net worth individuals. There is not a similar system in the UK.

Xenova's next aim is to go public, and this is also expected to be in the US, at least in the first instance, if only because the group now has many US shareholders.

Until the latest offer, Xenova had been financed largely by venture capital. The company was established in 1987 and, including the latest financing, has raised a total of £35.9m in equity and has not resorted to debt finance. The money has funded research into new drugs.

Xenova has yet to start clinical trials on any of its drugs and so a return for investors in terms of profits or dividends is still some way off.

However, according to Mr Price, Xenova had outgrown the venture capital market. "We were past the stage where venture capitalists could meet our needs."

The previous round of funding, in December 1990, had raised £7m, when some UK institutions came in, such as Standard Life and Norwich Union. But the US offer would have been too large for the venture capital market.

Mr Price said the group had had a good experience of dealing with venture capitalists. Their backers had made an effort to "understand what we are doing."

One problem can be that venture capital funds have fixed lives and must look for an exit when the funds have to be wound up.

This has already happened to Xenova with one early investor having to sell its shares to the others. The same problem faces another backer, although the flotation should come in time to provide a way out.

Getting to grips with the language of the City

LANGUAGE USED in the debate on smaller company development can sometimes be more confusing than enlightening. The following glossary aims to describe the key elements regularly referred to, yet seldom explained.

● **Business Angels:** In the US, wealthy private individuals are keen investors in small businesses. Attempts have been made to create similar networks in the UK, though their impact has been limited. Angels are long-term investors, they do not charge the high fees of professional venture capitalists, and they often have business experience to help out their investee companies.

● **Business Expansion Scheme:** Created to allow investors to buy shares in small unquoted companies and receive tax relief. The scheme will close at the end of the year.

● **Competent Authority:** Determines listing rules with which companies must comply to join the Official List. The Financial Services Act decrees that the UK has only one authority overseeing the Official List and that is the London Stock Exchange. Part five of the FSA (still being drafted) is expected to entitle the Secretary of State to empower bodies other than the Stock Exchange to authorise listings.

● **Delta Notice Board:** Displays prices for companies traded under Rule 535.2.

● **Development Capitalists:** Generally fund management buy-outs and buy-ins. Originally intended to be one step up from venture/seed capitalists.

● **Liquidity:** The depth of the market in a company's shares. The market in a smaller company's shares is often less liquid due to various factors: market capitalisation, the number of shares issued and the narrow spread of ownership.

● **Listing Rules:** Established by the Stock Exchange and comprising a somewhat complicated regime of initial and



on-going standards to which listed companies must comply. The Exchange's ability to act is restricted by EC directives.

● **London Stock Exchange:** Has three different roles – (a) the competent authority for listing in the UK and regulates the so-called primary market for distribution of new issues; (b) operates and regulates a secondary market for buying and selling shares; (c) a clearing house for the settlement of trades in UK equities.

● **Marketmakers:** Obligated to display firm bid or offer prices on Seaq and deal at those prices using their own capital. The size of the spread between the best bid and offer price on Seaq can deter investing in less liquid securities. Investors should note that, when dealing in reasonable amounts of stock, the quoted price is only a basis for negotiation.

● **Nasdaq:** The North American market operated by the National Association of Securities Dealers, was once dedicated to smaller companies but

many grew large. Developed out of the OTC market, and now the third largest equity market in the world.

● **Official List:** Securities that have been admitted to the market by the Stock Exchange. The vast majority of the 2,200 or so companies on the list are valued at less than £50m.

● **Over the counter market:** Once referred to trading of shares in unlisted securities. In the early 1980s a pseudo-market was operated by Harvard Securities among others. It satisfied demand from those investors seeking high growth and prepared to take risks. The UK no longer has an OTC market, but the term is often used to refer to the Nasdaq market which has an OTC tier.

● **Recognised investment exchange:** A market, such as Nasdaq or Liffe, for the buying and selling of securities. Must have a rule book that ensures fair play and can be enforced. The LSE has not been granted,

but in effect enjoys, a monopoly in UK equity trading.

● **Seaq:** The Stock Exchange's main dealing system for the USM and fully listed companies. It displays bid and offer prices provided by competing marketmakers who are obliged to quote prices throughout the day. Introduced in 1986, it is increasingly seen as a less than ideal method of trading in small companies.

● **Seats:** Stock Exchange Alternative Trading System. Provides company information, customer limit orders and, in some cases, a single marketmaker providing a continuous two-way price on a single dealing screen. It is widely regarded as more in tune with smaller company trading. It is not a separate market and trades USM and Official List securities.

● **Shells:** Small companies with few assets which can provide an attractive route to the stock market via a reverse takeover by a private company.

Closure would put 'brake on enterprise'

By Charles Batchelor

VIEWS FROM THE City, the threatened demise of the Unlisted Securities Market may be seen as the end of an experiment that has outlived its usefulness and profitability.

For the growing medium-sized business and the venture capital community, the market's passing will be a serious setback.

It will deprive small companies of an important method of financing growth through equity, and venture capitalists of a valuable exit from their investments. The USM played an important part in the rapid expansion of the venture capital industry during the 1980s.

Worryingly, plans to shut the USM come at a time when concerns are growing about the ability of banks to provide loan finance. Chastened by losses on their small loans books, the banks are expected to be cautious about lending when the upturn comes. Now, if ever, is the time when small businesses need equity.

Not that a stock market listing is the preferred outlet for the ambitious entrepreneur. Far more businesses opt for a trade sale – that is, a sale to another, usually larger company. In 1991, according to the European Venture Capital Association, twice as many UK companies chose a trade sale as went for a flotation.

Trade sales make sense for a number of reasons. They allow the venture capital

talist to get all his money back in one go and free the entrepreneur to retire or to start up all over again. They frequently realise more money than a listing because a trade buyer can benefit from filling a gap in his market or product range. Equally important, some business owners do not relish the obligations and limitations imposed by managing a quoted company.

But even if trade sales have proved more attractive over the years, the shutting down of the USM option is causing serious concerns in the venture capital industry.

"Unless a young company can have access to the public market at an earlier stage than is now possible there will be a brake put upon enterprise," says Mr Ronald Cohen, chairman of Apex Partners and a member of Cisico, the City Group for Smaller Companies.

Companies could wait longer until they matched the criteria for a full market listing but this may mean market openings are missed or technological developments would have to be foregone.

The founders might then find themselves forced to sell as the only way of finding the money for expansion. This would further worsen Britain's already poor record for generating independent, medium-sized companies on the model of the German Mittelstand.

The lack of equity for small businesses and the poor liquidity for smaller UK listed stocks has prompted

a flurry of activity aimed at creating alternatives. The options being considered are:

● A Europe-wide exchange owned and operated by the European venture capital industry. Provisionally titled the European Private Equity Exchange, this market would be self-regulating – operating as an investors' club. It would recommend valuations, provide a quotation service and complete transactions. The brainchild of Baring Venture Partners, a UK venture capital company, it would allow venture capitalists to trade their portfolio companies.

● National exchanges run on the model of the Dutch Participations Exchange launched by the Dutch venture capital industry. This exchange would open twice a year, provisionally May and November, and would allow venture capitalists to auction their shareholdings in investee companies. Both EPEE and the Dutch exchange are being studied by the European Venture Capital Association though there are concerns that EPEE may be over-ambitious.

● A relaunched USM-style market. If the London Stock Exchange can be persuaded to relaunch a smaller companies' market it needs to be in a radically different format, says Mr Robert Drummond, chairman of the British Venture Capital Association.

It must not carry a label that suggests it is a second-class market. The USM and the Third Market – closed in

1990 – both carried titles which branded them as less than first-class arenas for the trading of shares. Any new market must also have sensible rules designed to appeal to the owners of, and investors in, small growth businesses. It must not be weighed down by excessive legislation intended to protect investors from their own follies.

Finally, says Mr Drummond, the trading system should not depend on finding marketmakers but, like the US Nasdaq market, it should be a screen-based system allowing deals between principals.

If none of these proposals comes to anything, UK companies might consider a listing on Nasdaq itself. Nasdaq says it has sought links with a European exchange to provide a service for European companies but they have seen its approaches as a threat. As it is, more than 250 non-US companies already have a Nasdaq listing.

Nasdaq has 4,400 stocks quoted on its two main markets and listed 422 new entrants in 1992. It is a successful market which can offer smaller companies liquidity unparalleled on any of the European stock exchanges.

But a Nasdaq listing means frequent visits to the US to stay in touch with local investors and offends European sensibilities. Until a viable market place for smaller company stocks can be established in Europe, however, Nasdaq will remain an attractive option for growing businesses.

Growth options for 'minnows' of the quoted sector

By Richard Gourlay

FEW COMPANIES, however small, regret having a quotation.

The ability to issue paper is bound to open avenues down which private companies are unlikely to travel. However, small companies are increasingly constrained.

With stockbrokers drawing back from following, let alone making, markets in the shares of smaller companies, there is pressure for the minnows of the quoted sector to do something or risk further deterioration of the liquidity in their stocks.

A case in point is Umeco, the USM-quoted maker of aircraft refuelling equipment and distributor of seals and components to the aerospace industry.

Recession in the world economy, and in particular in the aerospace industry, partly explains the less than distinguished share price performance since it came to the USM in 1989. But the slide in its market capitalisation, from about £7m to £1.75m today, may have been exaggerated because the company is so small.

Mr George Metcalfe, Umeco chairman, says the company is capable of growing its markets and will be well positioned to do so when recovery comes. But size remains one of its principle concerns. "You have to do something," he says. "The possibility of doing nothing is not an option."

"Organic growth will not take you along the road far enough or fast enough. You have to combine organic and acquisition-led growth. It is the only way to grow sufficiently to attain critical mass," he says.

For companies such as Umeco, Mr Metcalfe says there are limited options if they want to retain a quote.

The first is to find a dormant, or semi-dormant, shell into which to reverse; this vehicle would most probably already have a full listing.

Another option is a straightforward merger. The problem here lies with potential personality clashes. If the existing management is to have a say in running the enlarged group the two companies will probably have to be of a similar size.

As a result, the enlarged company would only double or triple the size of the original company. In Umeco's case, for example, this would lead to a merged company with a market capitalisation of less than £5m.

A third option is that a private company might seek to reverse into a company such as Umeco. In an enlarged form, the two companies would progress to a full listing that would be out of reach for each on its own.

Not surprisingly, Mr Metcalfe's immediate concern, apart from the low share price, is the lack of liquidity in the company's stock: a £5,000 trade is capable of moving the share price.

But he dismisses some of the more usual complaints from very small companies. Umeco pays no more for auditing or non-executive directors now that it is quoted. Such costs are an essential part of running a company properly, quoted or unquoted.

And despite Umeco's less than illustrious stock market career, it did successfully raise £55,000 in 1991 to make a part paper acquisition of an aviation supply company.

COMPANY NEWS: UK and Ireland

Property charges hit BICC

By Jane Fuller

FOR THE second year running the profits of BICC, the cables and construction group, were depressed by charges of more than £40m on its property portfolio and the Channel tunnel contract.

The pre-tax figure slipped to £77m (£81m) on turnover of £3.65bn (£3.79bn).

This followed a further £35m write-down on the UK property portfolio, including the Spitalfields joint venture. Another £2m (£12m) was added to BICC's share of Channel tunnel losses.

As promised with last year's £154m rights issue, BICC is paying a final dividend of 13.25p, to make an unchanged

total of 19.25p.

Most of the £40m bill was drawn from reserves.

Earnings per share, affected by the 1-for-5 issue in June, fell to 6.8p (10.3p) - or 20.2p before exceptional charges.

Mr Robin Biggam, chairman, said the £35m property write-down was against uncompleted property and Spitalfields accounted for over half of that portfolio. Last year's £30m write-down was against completed properties.

Overall profit was flat at £148m (£146m) before interest costs of £28m (£23m).

In BICC Cables, whose business is mainly in Europe, there was a 14 per cent decline to £78m - on sales of £946m (£933m) - because of weakness

in the energy and telecoms markets.

The group had taken its stake in GGC, of Spain, to 67 per cent and was reducing the number of factories from five to three. The acquisition of KWO, in eastern Germany, had only recently been completed.

North America Cables was still making a small loss of £2m (£3m). Mr Biggam expressed some optimism for this year, following signs of economic recovery and the further rationalisation opportunities offered by the purchase of Reynolds.

Australasia had recovered to £33m (£26m) after a long period of decline. Competition in the telecoms market had helped to

move the business forward.

Balfour Beatty, the construction wing, again showed its resilience with profits of £40m (£38m) on turnover of £1.85bn (£1.92bn). Civil and power contracting had held up well and an increasing amount of work was being won overseas. House building incurred a small loss.

Net debt rose to £59m (£35m) after nearly £100m was taken on to the balance sheet from the Spanish subsidiary and after £80m of acquisition payments. This was offset by the rights issue. About £37m of cash was generated after interest, dividends, tax and capital spending.

Off balance sheet debt came down to £126m (£197m).

See Lex

Hartstone shares hit by unexpected charges

By Peggy Hollinger

SHARES IN Hartstone, the hosiery and leather goods group, continued to slide yesterday as the company issued a profits warning and revealed unexpected rationalisation costs for its European operations.

After a volatile week in which rumours about a possible bid and a profits downgrade from house brokers BZW forced the shares down from 272p, they closed yesterday 18p lower at 149p.

The market appeared to ignore Hartstone's forecast of an increased dividend, which accompanied the details of the European rationalisation.

In a statement yesterday, the group said it expected exceptional charges of £8.5m - a substantial part of which related to cost-cutting in France and Spain - in the year to March 31. Before this week, the market had factored in costs of just £2m relating to rationalisation in the UK.

Hartstone also said profits for the year would be "less satisfactory than was expected at the time of the interim", due to a sharp downturn in European hosiery markets over the last three months. Gearing was also expected to be not less than the 80 per cent reported in November, partly due to the costs and exchange rate movements.

Courtaulds Textiles hits £39m and cash flow strong

By Andrew Taylor, Construction Correspondent

COURTAULDS Textiles yesterday reported a rise in pre-tax profits of almost 90 per cent last year from £20.7m to £39.1m.

The company, however, warned that comparisons with 1991 figures had been distorted by the introduction of the new FRS 3 accounting standard.

This meant that provisions against discontinued businesses previously taken below the line had been deducted from the published 1991 pre-tax figure of £42.2m.

Mr Martin Taylor, chief executive, said that pre-tax profits comparisons, using the previous accounting basis, were static. Operating profits on the continuing businesses were 7 per cent lower at £42.9m on group turnover 3.5 per cent lower at £889.6m.

The share price rose 3p to 593p following the announcement of a 9.2p final dividend, making a total for the year of 13.5p (13p).

Earnings of 30.1p compared with a revised figure of 11.2p.

Mr Taylor said that net cash flow during 1992 had remained strong at £33m (£38.7m). It had

allowed the group to further reduce net borrowings to £17.7m at the year end, equivalent to less than 7 per cent of shareholders' funds of £264m.

He said that it was more realistic to look at average monthly borrowings which were £72.6m in 1992, still 35 per cent lower at constant exchange rates than during 1991.

Mr Taylor added that the trading outlook remained mixed. Consumer confidence appeared to have stopped falling in the UK, which accounted for 60 per cent of Courtaulds' sales. The decline in sterling, since the autumn, departed the ERM last autumn, would make the company's products more competitive against imports from the Far East.

The US market was also showing tentative signs of recovery but the pace market was likely to remain difficult.

Continental Europe, which accounted for about 20 per cent of group sales, was likely to remain weak - particularly in France and Germany where retail markets were under severe pressure.

The company yesterday announced purchases worth

£7m, increasing the scale of its investment in joint ventures in Spain and Thailand.

COMMENT

The company's share price has more than doubled since textiles demerged from Courtaulds' chemical business three years ago. The management during that time has achieved substantial success in lowering gearing and overheads and has been able to underpin profits in a difficult trading conditions. These appear at last to be moving in Courtaulds' favour. UK and US markets are looking better while sterling's devaluation makes British exports more attractive. The group says that prices of imported materials and components have risen relatively little because of the poor market in continental Europe. Forecast profits of between £47m and £55m for the current year put the company on a prospective p/e of more than 16, on an increased tax charge of about 25 per cent. The company may be about to reap some reward, but this appears to have been already recognised in the share price.

See People

Question over Eurotunnel payments

By Jane Fuller and Andrew Taylor

EUROTUNNEL HAS withdrawn its offer to make extra payments of cash and shares to Transmanche Link, the group of British and French contractors building the Channel tunnel, Mr Robin Biggam, BICC chairman, said yesterday.

This had again halted negotiations over the contractors' claims for additional payments of more than £1bn to cover the extra cost of the project.

Balfour Beatty, BICC's construction arm, is part of the TML consortium. Mr Biggam said he had received a letter from Sir Alastair Morton, Eurotunnel's chief executive, in the past few days saying that the offer was no longer on the table.

Sir Alastair declined yesterday to confirm whether or not the offer had lapsed, saying: "Any correspondence between myself and the owners of TML is private." He said TML had walked out of negotia-

tions last December.

Eurotunnel is understood to have offered to pay £1.2bn in 1993 prices in a combination of cash and paper - shares, bonds and convertible instruments - to cover the cost of fitting out the rail tunnels. The gap between the two sides earlier this year was said to be less than £100m, also in 1993 prices.

Failure to reach agreement means BICC yesterday announced a provision of £2m to cover any losses on the contract.

Talks over Isosceles refinancing get under way

By Maggie Urry

Parties involved in the £1.4bn refinancing of Isosceles, parent of the Gateway food retail chain, are now starting talks over the deal which needs to be agreed in principle by the end of this month.

This follows the presentation of the company's business plan to its banks last Friday.

Talks are expected to be complex, and in the initial stages much semi-public posturing is expected.

The banks have put forward a suggestion that Gateway should adopt £800m of the total debt, which comprises bank loans of £1.05bn and mezzanine debt of £250m, with the rest passed to the parent company.

However, others involved say this idea is "almost certainly unrealistic". Gateway, some say, is not capable of supporting more than perhaps £400m of debt if it is also to finance capital spending from cashflow.

The business plan forecast that Gateway would record a £103m operating profit in the financial year to end April, compared with a £187.4m profit in 1991-92. Further, profits are expected to fall again before they recover.

The 1992-93 figures will also bear interest charges, including rolled up interest, of £163m, and "kitchen sink" provisions covering restructuring, property write-downs, fees for the refinancing and other items, taking the pre-tax loss to £235m.

Another suggestion for the refinancing is that a large part of the debt should be swapped into equity. However, this proposal also faces difficulties because of the position of the equity holders, and particularly Wasserstein Perella, the New York investment firm, which has 30 per cent of the equity, and through its holding of A shares which can exercise significant control over Isosceles.



Terry's Chocolate Works: part of York's manufacturing tradition

Terry's sale greeted with relief

By Chris Tighe

RELIEF WAS the dominant emotion yesterday at Terry's Chocolate Works in York, after staff heard that the company had been sold to Kraft Foods International for £220m.

"The general reaction is, thank God it's all over," said Mr Vic Botterill, chief shop steward at the factory for the General Municipal Bakers' Union, which represents the plant's 800 blue collar employees and up to 200 casual workers.

Mr Botterill said the sale to KGI, part of Philip Morris, the large US tobacco and foods group, could allow the Chocolate Works, source of chocolate

oranges and the All Gold and Moonlight ranges to gain some more lines.

He said the employees were glad that Terry's had not been sold to Cadbury Schweppes or Nestlé, because of their competing product ranges. "There had been fears, he said, that such a deal could have resulted in product ranges being moved from Terry's York plant."

"We have the facilities here, we have the potential: it's a big world out there," said Mr Botterill.

There was some sadness, he added, that United Biscuits had sold. "Everybody slugs off employees but they've put in a lot of investment."

Terry's was founded in 1767

by two citrus peel importers, who opened a shop making and selling sweets in Bootham, York. In 1823 they were joined by an apothecary, Mr Joseph Terry. Subsequent expansion led the company to its present imposing five-storey building, often glimpsed on television broadcasts of horse racing from York.

Despite its strong tourist image, York has traditionally had an important manufacturing base, founded on the twin pillars of the railways and confectionery.

Terry's, with just over 1,000 employees, is the second biggest confectioner. Nestlé employs 4,500 in the city and Cravens about 600.

NEWS DIGEST

ings per share were 11.3p (15p). An increased final dividend of 4.44p is recommended, for a total of 8p (7.125p).

BWD Securities declines to £1.74m

BWD Securities, the stockbroking and personal asset management group, reported pre-tax profits down from £2.07m to £1.74m over the year to November 30.

The dividend is raised from 3p to 3.2p, with a final of 1.3p, payable from earnings of 6.4p (7.9p) per share.

Grosvenor Develop net assets at £147.2p

Grosvenor Development Capital, an independent venture capital fund, lifted net asset value from 130p to 147.2p per share over the 13 month period to December 31.

The diluted figure was 134.5p (127.3p).

Earnings per share were 2.52p (2.83p) or 5.51p (5.24p) diluted; the single distribution goes up to 1p (0.95p).

Metal Bulletin at record £1.9m

Profits of Metal Bulletin, which has interests in trade journals, directories and books and conferences, rose from £1.7m to a record £1.9m pre-tax for 1992.

Turnover of £12.7m, compared with £11.5m. Earnings per share rose to 13.5p (12.5p) and a final dividend of 5.3p makes an 8p (7.4p) total.

SR Gent ahead 47% at £986,000

SR Gent, a fashion garment supplier to Marks and Spencer, achieved a 47 per cent profits improvement to £986,000 pre-tax for the half year ended

December 31.

A fall in turnover to £59.8m (£67.8m) reflected a decision to focus more closely on products with higher margin contribution. However, sales were expected to recover in the second half.

Earnings rose to 1.5p (1p) and the interim dividend is held at 0.75p.

TR High Income net assets at 110p

TR High Income Trust reported a net asset value of 110p per share as at December 31 - up from 94.7p at the end of 1991.

Earnings per share dipped some 10 per cent, from 6.21p to 5.6p over the year reflecting dividend cuts among high-yielding equities. Nevertheless, a fifth interim dividend of 1.3p is declared, maintaining the total at 6p.

Radius sharply higher at £1.25m

Continued progress through the second six months enabled Radius, the USM-quoted computer systems and maintenance company, to lift profits from £268,000 to £1.25m for the year to November 30.

Rationalisation was behind a decline in turnover to £24m (£28m).

Earnings improved to 2.9p (0.8p) and a final dividend of 1.8p holds the total at 2.7p.

Fleming Emerging asset value up 16%

Net asset value rose to 121.1p per share at Fleming Emerging Markets Investment Trust in the half year to December 31.

This represented a 16 per cent advance on the 104.5p at June 30.

Net revenue was £53,000 (£492,000) for earnings per share of 0.09p (0.82p).

Argyll splits Safeway and Presto/Lo-Cost chains

By Neil Buckley

ARGYLL, the UK's third largest food retailing group, is splitting its Safeway and Presto/Lo-Cost chains into two separate divisions.

Mr David Webster, Argyll's deputy chairman, said the move was "a tidying up, rather than a fundamental change". But he added that the new structure would particularly benefit Presto and Lo-Cost which would be able to make more effective use of Argyll's support functions as they strove to expand and improve efficiency through new technology.

Mr Patrick Kieran, presently managing director of Safeway

operations, becomes managing director of the Safeway Stores division. His deputy will be Mr Logan Taylor, now managing director of Safeway trading and marketing.

Mr Charles Lawrie, the Argyll director who has been responsible for Presto and Lo-Cost for seven years, is appointed managing director of the newly-created Presto and Lo-Cost Stores division.

Argyll acquired Lo-Cost in 1981 when it bought Oriel Foods - a food manufacturing and retailing business which had been founded by the original Argyll management team but then sold to RCA Corporation.

See People

Airtours queries benefits of Owners/Cook tie-up

By Richard Gourlay

AIRTOURS, the holiday tour operator, yesterday questioned the benefits that rival Owners Abroad says it will achieve from a proposed tie-up with Thomas Cook, the travel agency and financial services group.

Mr David Crossland, Airtours chairman, said there was a great difference between identifying costs savings from his proposed takeover of Owners Abroad, and projecting increased sales.

Airtours also said that according to latest statistics from Stats MR, the market research organisation, Owners Abroad's winter business was down at the end of January.

This meant that Owners Abroad would be making higher winter losses from leased aircraft capacity that is surplus to needs.

Mr Howard Klein, Owners Abroad chairman, said estimates of benefits from the tie-up with Thomas Cook and its sister LTV, the German holiday company, had been approved by its auditors and advisers. These would be at least £9m in 1994 and at least £11m the following year.

He said Airtours still had not specified how it would arrive at savings from a merged Airtours and Owners Abroad.

Mr Crossland says would be "significantly" above the benefits from the Thomas Cook tie-up.

DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres - dividend | Total for year | Total for year |
|-----------------|-----------------|-----------------|-------------------|----------------|----------------|
| Acorn Inv Trst | 0.8 | May 5 | nil | - | 1.5 |
| BICC | 13.25p | July 1 | 13.25 | 19.25 | 19.25 |
| Brent Chemicals | 5.8 | May 21 | 5.8 | 7.4 | 7.34 |
| BWD Securities | 1.9 | Apr 18 | 1.7 | 3.2 | 3 |
| Cowie (T) | 9.2 | May 17 | 8.8 | 18.8 | 18 |
| Cowie (T) | 4.25 | May 20 | 3.75 | 6.25 | 4.875 |
| CRH | 4.54p | May 5 | 4.3 | 6.75 | 6.45 |
| Gent (SR) | 0.75 | Apr 23 | 0.75 | - | 2 |
| Grosvenor Dev | 0.95 | Apr 23 | 0.95 | 1 | 0.95 |
| GRE | 4.5 | July 5 | 2.6 | - | 7 |
| Linx Printing | 0.35 | Apr 19 | - | - | - |
| Metal Bulletin | 5.91 | Apr 23 | 5 | 8 | 7.4 |
| Radius | 1.8 | Apr 17 | 1.8 | 2.7 | 2.7 |
| Savage | 0.25 | May 17 | nil | - | 0.25 |
| Stat-Plus | 4.44 | Apr 30 | 4 | 8 | 7.125 |
| TR High Income | 2.2 | Apr 30 | 0.8 | - | 6 |
| Trans World | 0.8 | Apr 8 | - | 0.8 | - |

Dividends shown pence per share net except where otherwise stated. 10n increased capital. 905M stock. 41p Irish pence.

REDROW GROUP plc

INTERIM RESULTS

- Profit before tax increased to £6.8m
- Homes completions increased by 12%
- Shareholders' funds increased to £50.3m
- Group gearing reduced to 9%

| | 31 December 1992 (\$ months) | 31 December 1991 (\$ months) | 30 June 1992 (12 months) |
|------------------------|------------------------------|------------------------------|--------------------------|
| Turnover | 64.3 | 54.0 | 120.2 |
| Profit from operations | 7.3 | 7.7 | 12.7 |
| Interest payable | (0.5) | (1.5) | (2.5) |
| Profit before tax | 6.8 | 6.2 | 10.2 |
| Corporation tax | (2.2) | (2.0) | (3.0) |
| Profit after tax | 4.6 | 4.2 | 7.2 |
| Dividend | - | - | (0.9) |
| Profit retained | 4.6 | 4.2 | 6.3 |
| Shareholders' funds | 50.3 | 43.6 | 45.7 |

"I feel confident that the worst of the recession is now over, and look forward to a period of sustained growth in all of the Group's activities."

Steve Morgan
Chairman

Redrow Group plc, Redrow House, St. David's Park, Cwtyd CH5 3PW.
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In accordance with the provisions of the Notes the following notice is hereby given:

Interest Period: March 3, 1993 to September 3, 1993 (184 days)
Interest Rate: 9% p.a.
Coupon Amount: U.S. \$ 127.78 per U.S. \$ 1,000 Note
U.S. \$ 250.56 per U.S. \$ 1,000 Note
U.S. \$ 2,555.56 per U.S. \$ 100,000 Note

Payment Date: September 3, 1993

Frankfurt/Main, March 1993

COMMERZBANK

Cowie buoyed by fleet leasing

By Jane Fuller

STRONG GROWTH in fleet leasing helped T Cowie, the motor group, to increase pre-tax profit by 34 per cent to £24.3m last year.

The rise, from £18.2m, was ahead of expectations and the share price gained 14p to 211p. Mr Gordon Hodgson, chief executive, said the group aimed to double its dealership network and to increase its leasing fleet from 60,000 to 100,000 vehicles - probably in that order.

Cowie retains a 9.9 per cent stake in Henlys following the failure of its £32m hostile bid in September. The holding has been written down to 60p a share.

Group turnover of £605.9m (£564.9m) was pushed ahead by Royco, the contract hire business acquired from Royal Bank of Scotland late in 1991.

Mr Neil Pykett, managing director of Cowie Interleasing, said economies of scale and correct gauging of residual values lay behind the divisional profit rise to £16.6m (£11m) on turnover of £245m (£206.8m).

The motor dealing division suffered a squeeze on margins



Sir Tom Cowie (left) and Gordon Hodgson intend to double dealership network and increase leasing fleet to 100,000

that reduced profits to £5.4m (£5.6m) on flat sales of £316.3m.

Sir Tom Cowie, chairman, said Black Wednesday had induced a state of "hysteria" in the used car market. In October and November, monthly price falls amounted to about £300 per vehicle. The good news was that things had improved since December because of the underlying shortage of quality used cars.

Profits rose to £1.8m (£1.2m) in the London Grey-Green bus and coach operation. Bus and coach distribution increased profits to £1.75m (£835,000).

Net debt fell from £355m to £309m, gearing of 306 per cent. Mr Hodgson said this should see against an "income stream of £460m going into 1993".

Interest costs were flat at £36.2m, but a £3m to £4m gain

from reduced rates was expected this year.

Fully diluted earnings per share rose to 13.31p (11.11p). A final dividend of 4.25p makes a total of 8.25p (4.875p).

COMMENT

Cowie took a bow for being the first motor trader to restore pre-tax profits to somewhere near the 1988 peak of £26.8m. This year it is forecast to set a new record of £28m-£30m. But that may turn out to be an academic figure if it fulfils predictions and makes a significant acquisition in the meantime. The Henlys experience has left it reluctant to mount another hostile bid. With its share price shooting up by nearly 100p since September, it will be keen to use its paper either directly or indirectly. It may, for instance, go for the motor business of a conglomerate or a bank and make use of a vendor share placing. A prospective p/e of little more than 12 puts it at a discount to the market. The debt risk associated with Cowie is much diminished and it remains a strong holding for its prospects both of further profits recovery and of growth by acquisition.

Panel tightens rule on 'creeping control'

By Maggie Urry

THE TAKEOVER Panel has tightened its rule on "creeping control". With effect from yesterday morning, when the announcement was made, the owner of between 30 and 50 per cent of the voting rights of a company can only buy a further 1 per cent in any 12 month period.

Previously the limit was 2 per cent.

The change to Rule 9.1(b) of the Takeover Code has been under discussion for many months and the Panel said yesterday that the arguments on each side had been finely balanced.

It concluded that "the interests of shareholders would be best served" by cutting the purchasing freedom to 1 per cent.

The Panel's concern was that the rule could be abused by a predator which could gradually increase its stake and gain control without making a full bid.

However, it also felt that some flexibility was still needed in Rule 9. Complaints about the rule are rare, the Panel said.

The rule was introduced in 1974 as part of the mandatory offer rule, under which a bid is required if a stake of 30 per cent or more is acquired. Originally the limit on purchases was 1 per cent but it was increased to 2 per cent in 1976.

The Panel said it could not recall a case where a predator had acquired control of a company using this rule.

The closest that a company has come to be acquired this way was Molins, the engineering company. Leucadia National Corporation, a US group, failed in a takeover bid for Molins in May 1990, but retained a 45.14 per cent stake afterwards.

It subsequently bought shares taking its stake to 43.45 per cent. However, an attempt in October 1991 to use its votes to gain control of the board failed and Leucadia then sold its shares.

Slimdown pays off with £11m at Brent Chemicals

By Andrew Bolger

BRENT Chemicals International, the specialty chemicals group, more than doubled pre-tax profits to £11.5m in 1992.

Sales rose from £100m to £118.8m.

The company said the profits figure was 37 per cent up on the previous year, after allowing for heavy rationalisation and redundancy costs incurred in 1991.

Lord Lane of Horsell, chairman, said that while the results benefited from the inclusion of recent acquisitions and a £15.6m rights issue in 1991, they were firmly supported by organic growth of 5 per cent in sales and 12 per cent in profits.

Brent's packaging and graphic arts group, focused mainly on food packaging, lifted sales by 9 per cent and profits by 20 per cent organically. The division's actual trading profits rose from £2.42m to £4.91m.

Trading profits from the industrial, aerospace and electronics sector rose from £3.4m to £7.5m. This division was affected by recession in the European Community, but a strong performance in North America and south-east Asia increased profits by 6 per cent organically.

Earnings jumped to 10p (2.9p). A maintained final dividend of 5.8p gives a total of 7.4p (7.34p).

Lord Lane said: "During 1992 we improved our gross margins due to manufacturing efficiencies and cost savings, and we continued to exercise strict overhead controls. The reduction in staff levels and the streamlining of our management structure initiated in 1991 have proved their worth."

Brent said it continued to develop Hebro Chemie, the German metal finishing business it acquired at the end of 1991. Sales expanded by 8 per cent, but profits remained static.

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Pacific sales help Linx edge ahead

By Richard Gourlay

A **DRAMATIC** sales increase in the Pacific region helped Linx Printing Technologies, the maker of continuous ink jet printers, edge ahead in its first six months as a quoted company.

The group suffered a significant loss of gross margin, mainly due to launch costs of the 6000 series printer and its delayed introduction in the US.

Pre-tax profits increased to £763,000 on sales of £5.76m in the six months to December 31.

Earnings per share fell from 3.88p to 3.7p, reflecting the increased number of shares

in issue following the flotation.

A first interim dividend of 0.35p is declared.

The 6000 printer is expected to produce a 15 per cent increase in gross margin over the 5000 series and should account for 60 per cent of sales in the second half.

The group finished the period with net cash, but has not excluded the possibility of gearing up.

Sales in Europe, including the UK, rose 4 per cent to £3.97m, with strong growth in France and Italy and slower progress in Germany and the UK.

North American sales increased 9 per cent to

£512,000, but the rest of the world jumped to £1.17m (£541,000) with Japan particularly strong.

Sales to Germany and Japan now each account for about 20 per cent of the total and the US accounts for about 10 per cent. Earnings should grow 20 per cent a year for the next two years and there is scope for more growth in market share, particularly as US General Electric's Videojet is now at a relative currency disadvantage. That said, Linx is probably fully valued. Pre-tax profits should be £2.2m for the year, giving 10.2p of earnings and a prospective multiple of about 18 that is at the correct premium to the market.

Mr Derek Harris, chairman, said there would also be scope for increasing margin with the production of ink from Linx own plant and the introduction of environment friendly ink.

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Linx provided few deviations from expectations. Falls in

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● **COMMENT**<

COMMODITIES AND AGRICULTURE

Russians leave US without grain debt deal

By Laurie Morse in Chicago

MR ALEKSANDR Shokhin, Russia's first deputy prime minister, left Washington yesterday without an agreement on ending Russia's grain credit problems, leaving US-Russian grain trade stalled.

After Mr Shokhin and Mr Mike Espy, the US agriculture secretary, ended their talks on Tuesday Mr Espy said he remained dedicated to finding a solution to the impasse, but he had no specific timetable.

Grain traders remain convinced that the US will offer Russia a grain export programme of some kind - most likely food aid - when President Clinton and Yeltsin meet for a summit April 4. However, Mr Espy said he did not view that date as a deadline and added that there were some outstanding problems.

Disappointed traders pushed Chicago grain and soybean futures prices lower in early trading. Mr Warren King, grain analyst with Cargill Investors Services, said he was preparing to reduce his forecast of wheat exports to Russia. "The [wheat] marketing year is over in June," he said. "We're running out of time."

Russia and other countries of the former Soviet Union owe more than \$416m in overdue loans for US grain purchases. Russia made what was viewed as a token interest payment of \$15m, the first since late November, before Mr Shokhin and Mr Espy held their final meeting. Under the US guarantee loan programme, Russia must repay all of its arrears before fresh grain loans can be granted. To lower the bill, Mr Shokhin has requested that Russia's grain indebtedness to the US be separated from other former Soviet republics.

In a speech in Chicago on Tuesday evening, Mr Yegor Gaidar, chief economic adviser to President Yeltsin, explained that Russia was balancing its obligations to the US against its indebtedness to other Paris Club nations. "We fulfilled our payments to the US until November, neglecting other members of the Paris Club, which affected our relations with Europe and Japan," he said. "We're looking for a way out without hurting our relationship with other countries of the world."

Russia has made strategic payments to at least one other wheat supplier to keep world grain shipments moving. The Australian Wheat Board said it had received payments on grain shipped to Russia two years ago and had contracted to supply an undisclosed further amount of Australian grain. "A small cash payment has been received from the Russians and shipments of Australian wheat will commence against that payment," said Wheat Board chairman Mr Clinton Condon.

Australia is considering engaging in bartering grain for aluminium shipments from Russia to compensate for Russia's lack of hard currency.

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Brazilians cannot afford to cut aluminium losses

It would cost more to close production lines than to keep them running, writes Bill Hinchberger

ANY HOPES that Brazil will this year relieve the pressure of over-supply on the languishing aluminium market by cutting its output seem destined to be disappointed. Despite a combination of low international prices and high local industry costs, the country registered record production of aluminium in 1992, and output is expected to remain at a similar level this year.

The Brazilian Aluminium Association (ABAL) estimates last year's production at 1,195,248 tonnes, up 4.8 per cent on 1991's, and exports at 985,700 tonnes, up 18.5 per cent.

The production increase was primarily due to a 16 per cent surge, to about 33,000 tonnes, by Albras, the joint venture between Companhia Vale do Rio Doce and a consortium of Japanese companies. Companhia Aluminio do Brasil boosted production by 13,000 tonnes, as it utilised its full capacity of 217,000 tonnes.

The ABAL increase was a consequence of a scheme launched in 1988, designed to double output, says Mr Francisco Pitella, commercial director for Alvalde, the CVRD holding company for its aluminium interests. In 1988, the plant was producing about 160,000 tonnes. Under the plan, capacity would have jumped to 340,000 tonnes in 1991. In March 1991, however, a dam-aging transmission line caused a 12-hour blackout, cutting production by about 40,000 tonnes, and pushing back the timetable for reaching higher production levels to 1992.

There should be a slight drop in the country's aluminium output this year as Alcan's closure in November of a 27,000-tonne-a-year production line in Aratu, Bahia state, makes its mark on the 1993 figures. The plant produces aluminium to supply its own domestic operations. But with the severe recession and dampened demand in Brazil, the subsidiary found itself exporting. "The quantity we were producing was in excess of our needs, and at \$1,400 a tonne cash cost, we were realising at least a \$150-a-tonne loss," explains Mr Joao Vallante, manager of metal planning.

The output cut can be viewed as part of the company's overall effort to reduce costs in Brazil. The company now employs less than 5,000 workers, compared with 8,000 in 1989, says Mr Vallante. Efficiency has improved, as capacity was reduced by just 27,000 tonnes a year over the same period. In 1991 Alcan produced 113,600 tonnes.

Other producers refuse to cut output because the cost of closing production lines is greater than that of keeping them running, according to Mr Ivo Barone, ABAL's president. "The price level still allows companies to break even on a cash-cost basis, depending on their energy costs," says Mr Barone. Many energy contracts are "take-or-pay" agreements, long-term accords that guaran-

tee aluminium producers a minimum supply for which they must pay even if they do not take it up. Some bauxite supply contracts run on a "take-and-pay" basis, meaning that producers must withdraw their share of raw material whether or not they intend to use it. "It comes down to what is more costly, to continue producing or to close," observes Mr Barone.

For that reason, many firms have begun working with a cash-cost philosophy, which ignores depreciation, says the ABAL president. Reducing fixed expenditures, producers try to get their cash expenses down to \$1,000 a tonne, allowing them to limp through the present crisis.

High energy costs are the main obstacle to the Brazilian industry's ability to compete, maintains Mr Barone. He claims that energy accounts for \$450 in the price of a tonne of Brazilian aluminium, compared with an international average of \$300 a tonne.

Albras and Alumar enjoy discounts and price ceilings based on international prices for the commodity, part of an incentive package for building plants in the underdeveloped north of the country. Other companies, including CBA, Alcan and Valesul, generate varying amounts of their own energy.

Aluminium producers in south-central Brazil, the country's most industrialised region, spend \$23 per megawatt hour for their electricity, compared to \$9 in Canada and \$20 in the US, says Mr Carlos Eduardo Mariano da Silva, Valesul's industrial director.

The cost of energy is a touchy subject in Brazil. Congress has just passed a Bill to

give regional utility companies a free hand to set electricity prices without meddling by central authorities. Large industrial users generally pay about \$45 per megawatt hour, compared with an average generating cost of \$70 per megawatt hour.

Valesul, a joint venture involving CVRD and Royal Dutch/Shell's Brazilian metal subsidiary Billiton, hopes to reduce energy costs by boosting efficiency and increasing its own generating capacity. Currently Valesul generates about 20 per cent of its own electricity.

This year it is implementing a pilot project designed to improve the efficiency of its production process. The company will invest \$2.5m this year, and the pilot project is successful, it is ready to spend \$37m by 1995 to adapt its entire \$37m, says Mr Mariano da Silva.

In terms of generating capacity, Valesul's goal is to increase its own output to 50 per cent, adds Mr Mariano da Silva. To reach that level, he estimates that the company would have to invest \$35m. "But we have to find an investment opportunity," he says, adding that such an investment is not yet officially in the cards.

Low, and falling, domestic consumption means that Brazilian producers are forced to place greater amounts of their output on the international market, despite low prices. Domestic per capita aluminium consumption dropped from 3.1 kg in 1986 to an estimated 2.1 kg in 1992, says CVRD's Mr Pitella, adding that consumption in rich countries is about 20 kg a person a year.

Overall Brazilian consumption was 316,000 tonnes in 1992, an 8 per cent drop from 338,000 tonnes in 1991.

"Last year domestic production fell to the level of the early 1980s, but it is a good sign for the future of aluminium cans, we might have dropped back to levels from the late 1970s," observes Mr Admarco Azevedo, executive director for the local subsidiary of Alcoa.

Domestic demand seems to be rebounding slightly. In December, it was 5 per cent above expectations, in January 10 per cent more than expected, estimates Mr Vallante of Alcan.

"The Brazilian market is apparently improving, but I am afraid to talk about a boom," he says, echoing the words of other analysts. "I don't know how long it will last."

Energy boost planned for Australia's Kalgoorlie mines

By Kenneth Gooding, Mining Correspondent, in Perth

IN ABOUT two years time a 2,000 km (1,250 mile) pipeline costing between A\$300m and A\$500m (£147m-£245m) could be carrying natural gas from Dampier in the north of Western Australia to the Kalgoorlie gold fields area, providing cheap energy to boost natural resources development there, according to Mr Colin Barnett, the state's new minister for resources development and energy.

Western Mining Corporation, the biggest energy user in the area, would almost certainly be involved, either as a member of a consortium that would build and operate the pipeline or as a customer. Mr Barnett said yesterday that the pipeline would bring inexpensive

energy to an area where supplies were not consistent and many companies used diesel fuel to provide their own power.

The pipeline project was of a type that should be sponsored by the new Coalition state government, which was committed to building the state economy on its natural resources.

He claimed that the change of government had sparked new optimism among resource companies. Since the election two weeks ago Western Mining had announced that it would proceed with the A\$450m Mt Keith nickel project in the state and Woodside Petroleum had given the go-ahead for the A\$1.1bn Cossack Wane offshore oil and gas venture.

He said the government would change the state law to permit seven-days-a-week

working in the Kambalada area, near Kalgoorlie. Western Mining was ready to proceed with an A\$105m expansion and upgrading scheme at its Kambalada nickel operations once that change had been made. The trade unions were "reasonably satisfied" with this proposed change in the law, which was at the centre of a long running argument between Western Mining and the previous Labor government. "We will not let minority interests hold the rest of the community to ransom," Mr Barnett said.

Western Mining also previously said the cost of rail transport was holding back development at Kambalada. Mr Barnett said the state-owned railways would become more competitive and that the cost of transport would not be permitted to prevent projects

going forward. His government was committed to reducing the cost of energy by 40 per cent in real terms by 2000 by splitting up the state's energy monopoly and encouraging private sector investment. He admitted that he expected some opposition to the pipeline project, but the route would avoid national parks, environmentally sensitive areas and areas known to be of special significance to aboriginal people.

He hoped permitting procedures would be completed by the middle of 1994 and that the pipeline would take 18 to 24 months to build.

Local analysts suggested that one project likely to benefit from the pipeline was the Bulong nickel-cobalt venture between Western Mining and Resolute Resources and its associate Energy Oil & Gas,

which would include Western building a sulphuric acid plant at its Kalgoorlie nickel smelter to process the ore.

Mr Barnett said Western Australia was relatively unexplored for minerals, while the potential for offshore oil and gas discoveries was huge. His government wanted to see state revenue from natural resource projects quickly doubled. Direct royalties alone last year brought in A\$375m.

However, the state's small population of 1.7m could not provide the necessary capital and this would come mainly from foreign investors, particularly those in Japan, the UK and the US. Towards this end the new government would send high powered delegations around the world promoting Western Australia as "a safe and reliable place to invest".

Trinidad fertiliser sector prepares to resume growth

Depressed prices have tempered the industry's buoyancy, writes Canute James

DEPRESSED PRICES over the past nine months, caused mainly by increased production in the Ukraine, have tempered the buoyancy of Trinidad and Tobago's fertiliser industry. This has exacerbated a slowdown in growth of the industry over the past three years following rapid expansion in nitrogenous fertiliser output between 1980 and 1989.

The Caribbean republic remains one of the world's leading producers of ammonia and urea - the leader since the break-up of the Soviet Union, claim local officials. Senior representatives of the energy and natural resources ministry say they are not greatly concerned at the state of market as the country has the capacity to take advantage of the rebound that they believe is inevitable.

This, however, will depend on a quick and significant increase in production capacity.

Combined ammonia and urea production ('000 tonnes)

| Year | Production |
|------|------------|
| 1982 | 2,400 |
| 1983 | 2,400 |
| 1984 | 2,300 |
| 1985 | 2,200 |
| 1986 | 1,800 |
| 1987 | 1,400 |
| 1988 | 900 |
| 1989 | 470 |

Source: Trinidad and Tobago energy ministry and Trinidad and Tobago central bank

investing US\$250m over the next five years to recover 150m cubic feet of gas a day.

"The development of Trinidad and Tobago's nitrogenous fertiliser industry has been assisted significantly by the advantage of local supplies of energy," explains Mr Rupert Mendes, the permanent secretary in the energy and natural resources ministry. "We are also favoured by relatively easy and quick access to our major markets in the United States and Europe."

Ammonia and urea production in 1991 was 4.6 per cent more than in 1990, indicating a significant slow-down after a five-fold expansion between 1981 and 1989. The Trinidad and Tobago central bank, in a recent report, suggests that such rates of growth may not be repeated in the short term.

The bank says that in the first half of last year production of nitrogenous fertilisers totalled 123m tonnes, margin-

ally higher than the corresponding period of 1991. But it reports that international ammonia markets have been depressed, and that this has coincided with the end of the fertiliser application season in North America and Europe, which has resulted in reduced demand in these areas.

"In addition, the easy availability of the product from the Ukraine contributed to over-supply on global markets and consequently to lower prices," the bank says. It reports that Trinidad and Tobago's ammonia averaged US\$77 a tonne (fob Caribbean) in the second quarter of last year, against \$97 a tonne in the second quarter of 1991. Urea prices fell \$21 from \$155 per tonne in 1991.

Trinidad and Tobago's nitrogenous fertiliser industry was born 30 years ago when W.R. Grace of New York established Fedchem, an ammonia plant with a rated capacity of 250,000 tonnes a year. Thirteen

years later the US company and the Trinidad and Tobago government created a joint venture, Trigen, to run a 400,000-tonne-a-year ammonia plant. The facility was expanded in 1988 and now has a rated capacity of 920,000 tonnes a year.

Following a corporate decision to divest itself of its holdings in fertilisers, W.R. Grace has sold its operations in Trinidad and Tobago to Norsk Hydro of Norway. A third ammonia plant, Fertin, a joint venture between Amoco Oil of the US and the Trinidad and Tobago government, began production in 1981. The sole urea producer, Trinidad and Tobago Urea Company, is wholly owned by the government, and has a capacity of 600,000 tonnes per year.

The government is reducing its involvement in the industry and is seeking buyers for its 61 per cent holding in Fertin and for the urea company.

WORLD COMMODITIES PRICES

MARKET REPORT

London COCOA headed south, weighed down by a New York market in retreat on what traders described as liquidation related to the lack of progress at the Geneva pact negotiations.

"People had taken long positions as protection before the talks began. But it's becoming increasingly clear nothing is going to happen so they're getting out," one dealer said.

On the London bullion market PLATINUM, after fixing at \$342.75 a troy ounce - 25 cents up from the morning - largely recovered the ground lost following Allied-Signal's

announcement of a new palladium-based auto catalyst. PALLADIUM was marked down 25 cents at the afternoon fix to \$105 a troy ounce. BASE METAL price movements were less extreme on the LME, largely consolidating after the losses sustained over the last week. However, consumer demand remains thin, and once technical corrections have run their course, many metals remain vulnerable unless there is a sea-change in sentiment.

Compiled from Reuters

London Markets

| SPOT MARKETS | | | |
|-----------------------------------|--------------|-------|--|
| Crude oil (per barrel FOB) April | | | |
| Dubai | \$16.62-6.68 | +0.05 | |
| Brent Blend (spot) | \$16.52-5.55 | +0.01 | |
| Brent Blend (April) | \$16.52-5.54 | +0.01 | |
| WTI (1st cont) | \$20.47-0.50 | +0.10 | |
| Oil products | | | |
| DNV prompt delivery per tonne CIF | | | |
| Premium Gasoline | \$104.195 | +1 | |
| Gas Oil | \$178.179 | +1 | |
| Heavy Fuel Oil | \$75.77 | | |
| Naphtha | \$178.178 | +2 | |
| Petroleum Argus Estimates | | | |
| Other | | | |
| Gold (per troy oz) | \$329.35 | +0.4 | |
| Silver (per troy oz) | \$350 | -1 | |
| Platinum (per troy oz) | \$342.75 | +0.9 | |
| Palladium (per troy oz) | \$105.00 | -0.6 | |
| Copper (US Producer) | \$95.00 | | |
| Lead (US Producer) | \$34.825 | | |
| Tin (Kuala Lumpur market) | \$14.25 | -0.2 | |
| Tin (New York) | \$262 | +0.5 | |
| Zinc (US Prime Western) | \$2.02 | | |
| Coffee (live weight) | \$123.50 | +6.39 | |
| Sheep (live weight) | \$122.13 | +7.89 | |
| Pigs (live weight) | \$9.24 | +0.47 | |
| London daily sugar (raw) | \$280.0 | -4.7 | |
| London daily sugar (white) | \$274.0 | -4.2 | |
| Tale and Lyle export price | \$282.5 | -6 | |
| Barley (English feed) | Unit | | |
| Maize (US No. 3 yellow) | \$1.65 | | |
| Wheat (US Hard Northern) | Unit | | |
| Rubber (Latex) | \$5.50 | -1.5 | |
| Rubber (May) | \$6.00 | -1.5 | |
| Rubber (KL RSS No 1 Feb) | \$25.5 | -1 | |
| Coconut oil (Philippines) | \$432.50 | +2.5 | |
| Palm Oil (Malaysia) | \$427.50 | | |
| Copra (Philippines) | \$275.0 | -1 | |
| Soyabean (US) | \$1.85 | -0.3 | |
| Cotton "A" index | 81.35 | | |
| Wooltops (64s Super) | 387 | | |

| SUGAR - London FOEX (\$ per tonne) | | | |
|--|----------|----------|---------------|
| Raw | Close | Previous | High/Low |
| May | 226.00 | 226.00 | 225.00 |
| Oct | 230.00 | 230.00 | 229.20-228.80 |
| Aug | 211.00 | 211.00 | 210.20 |
| White | | | |
| May | 275.00 | 275.00 | 274.00-270.00 |
| Oct | 276.50 | 276.50 | 275.50-271.50 |
| Aug | 258.00 | 258.00 | 257.00 |
| Turnover: Raw 37 (35) lots of 50 tonnes; White 122 (118) lots of 100 tonnes; May 1553.01 April 1585.48 | | | |
| CRUDE OIL - IPE (\$/barrel) | | | |
| Latest | Previous | High/Low | |
| Apr | 18.95 | 18.87 | 18.98-18.85 |
| May | 18.88 | 18.81 | 18.92-18.89 |
| Jun | 18.02 | 18.97 | 18.05-18.98 |
| Jul | 19.04 | 18.01 | 19.08-19.03 |
| Aug | 19.08 | 19.02 | 19.11-19.08 |
| Sep | 19.10 | 18.98 | 19.16 |
| Oct | 18.25 | 18.96 | 18.96 |
| Turnover: 1992 (24456) | | | |
| GAS OIL - IPE (\$/barrel) | | | |
| Close | Previous | High/Low | |
| Apr | 17.25 | 17.00 | 17.50-17.45 |
| May | 17.45 | 17.50 | 17.45-17.35 |
| Jun | 17.40 | 17.30 | 17.45-17.30 |
| Jul | 17.50 | 17.40 | 17.50-17.40 |
| Aug | 17.45 | 17.40 | 17.50-17.45 |
| Sep | 17.40 | 17.30 | 17.45-17.35 |
| Oct | 17.35 | 17.20 | 17.40-17.35 |
| Nov | 17.30 | 17.20 | 17.35-17.25 |
| Dec | 17.25 | 17.10 | 17.30-17.25 |
| Turnover: 22210 (24728) lots of 100 tonnes | | | |

WOOL: Over-supply and over-stocking apply through much of the wool market. In Australia there is the official stockpile of nearly 4 million bales, practically a full season's output, which overhangs the market even though discounts are currently at a standstill. Resistance to downward price pressure in real terms the lowest on record is causing Australian growers to withdraw their wool and this involves a privately held and financed backing which again overhangs the market. Processors in major consumer countries in Europe and the Far East are often heavily exposed also.

| COCOA - London FOEX (\$/tonne) | | | |
|--------------------------------|----------|----------|---------|
| Close | Previous | High/Low | |
| Mar | 717 | 734 | 734-713 |
| May | 727 | 748 | 745-723 |
| Jul | 740 | 759 | 756-738 |
| Sep | 754 | 768 | 768-745 |
| Nov | 760 | 780 | 782-762 |
| Dec | 790 | 803 | 803-785 |
| Jan | 802 | 817 | 816-810 |
| Feb | 856 | | 855-850 |

Turnover: 5374 (2805) lots of 10 tonnes; ICCO indicator prices (\$/tonne) 10 day average for Mar 743.70 (747.31) 10 day average for Mar 742.92 (742.40)

| COFFEE - London FOEX (\$/tonne) | | | |
|---------------------------------|----------|----------|---------|
| Close | Previous | High/Low | |
| Mar | 975 | 938 | 975-937 |
| May | 939 | 827 | 943-930 |
| Jul | 925 | 805 | 900-896 |
| Sep | 910 | 804 | 915-906 |
| Nov | 920 | 914 | 920-920 |
| Jan | 934 | 924 | 935-932 |

Turnover: 2671 (2553) lots of 5 tonnes; ICCO indicator prices (\$/tonne) 10 day average for Mar 2 Comp daily 56.38 (56.52) 15 day average for Mar 57.37 (57.28)

| POTASSIUM - London FOEX (\$/tonne) | | | |
|------------------------------------|----------|----------|-----------|
| Close | Previous | High/Low | |
| Mar | 50.0 | | 50.0 |
| Apr | 40.0 | 42.0 | 41.0-39.8 |
| May | 43.0 | 43.5 | 42.8-42.0 |
| Jun | 46.5 | | 47.0-46.0 |

Turnover: 179 (17) lots of 20 tonnes; SOYABEAN - London FOEX (\$/tonne)

| Close | Previous | High/Low | |
|-------|----------|----------|--------|
| Jun | 143.00 | | 143.00 |
| Jul | 145.00 | | 145.00 |

Turnover: 20 (10) lots of 20 tonnes; FREIGHT - London FOEX (\$/1000 part)

| Close | Previous | High/Low | |
|-------|----------|----------|-----------|
| Mar | 1301 | 1375 | 1395-1380 |
| Apr | 1380 | 1395 | 1390-1380 |
| May | 1395 | 1395 | 1395 |
| Jun | 1400 | 1390 | 1395-1390 |
| Jul | 1371 | 1369 | 1369-1360 |

Turnover: 1371 (208)

| GRAINS - London FOEX (\$/tonne) | | | |
|---------------------------------|----------|----------|---------------|
| Close | Previous | High/Low | |
| Wheat | 148.75 | 147.50 | 147.50-146.75 |
| May | 147.50 | 148.35 | 148.50-147.60 |
| Jun | 148.75 | 149.50 | 149.70-148.75 |
| Sep | 150.00 | | 150.00 |
| Nov | 151.00 | | 151.00 |
| Jan | 154.00 | | 154.00 |
| Mar | 157.50 | | 157.50 |

Turnover: 142 (13) lots of 143.50-142.50; May 107.55 108.00-107.55; Nov 110.50 110.80-110.50

| PORK - London FOEX (\$/cwt) | | | |
|-----------------------------|----------|----------|-------------|
| Close | Previous | High/Low | |
| Mar | 112.5 | 111.5 | 111.5-111.5 |
| Apr | 113.0 | 110.5 | 111.0-111.0 |
| May | 112.0 | 112.0 | 111.5-111.5 |
| Jun | 110.0 | 107.0 | 107.0-107.0 |
| Jul | 105.0 | 105.0 | 104.5-104.5 |
| Aug | 104.5 | 107.0 | 104.0-104.0 |

LONDON METAL EXCHANGE (Price supplied by Associated Metal Trading)

| Aluminium, 99.7% purity (\$ per tonne) | | | |
|--|------------|-----------|----------------------|
| Close | Previous | High/Low | |
| Cash | 1163.5-4.5 | 1157.4 | 1161.1-5 |
| 3 months | 1185.5-6.0 | 1179.90 | 1189/1180 1182.5-3.5 |
| Total daily turnover 21,192 lots | | | |
| Copper, Grade A (\$ per tonne) | | | |
| Cash | 1474.5 | 1489/1488 | 1489-7 |

New peak as overseas buyers appear

By Terry Byland,
UK Stock Market Editor

A SUDDEN shift towards optimism on interest rates both in Germany and the UK drove the London stock market confidently to new all-time highs. Shares opened strongly in response to the overnight 45-point rise in the Dow Industrial Average, and drew further encouragement later from an optimistic review of the domestic economy in the UK Treasury's latest monthly report.

Attention is now focused on this morning's meeting at the Bundesbank. The appearance of a few Continental European institutional buyers in London yesterday morning caused UK strategists to think again about prospects for a cut in German interest rates ahead of the French elections.

At best, the market was ahead by nearly 40 points on the FT-SE 100 scale. Gains were trimmed at mid-session, when the Bundesbank said it would not hold a press conference after today's policy meeting, but UK shares rose again when Wall Street, after some hesitation, turned higher in the new session.

At the close, the FT-SE 100 index was 363.3 points up at 2,918.6. The previous intraday peak of 2,901.1 was broken early but then lost again, in spite of another strong opening in stock index futures.

Trading volume increased strongly to a peak of 70.3m shares from the 57.3m recorded on Tuesday. The presence of the big institutions was confirmed by the focus on the FT-SE 100 list; trade in non-FTSE shares slipped to some 59 per cent of the total from the average 62 per cent of recent sessions.

However, the FT-SE Mid 250 index was also at a new peak

of 3,077.9, a gain of 27.9, and traders said that private investors appeared to have regained their confidence. The previous peak of 3,061.4 on the FT-SE Mid 250 was reached on February 8.

The re-adjustment in views on German interest rate prospects was by no means absolute. City strategists rated the chances of a significant cut in German rates as "no more

than 50-50". But some analysts believed that the UK market had turned too strongly negative on this point in the previous session. Further gains in sterling encouraged hopes that overseas funds may now be ready to buy UK equities.

On the domestic front, expectations of a cut in UK base rates around Budget day benefited from some encouraging hints on the economy. Dis-

sure by the Halifax Building Society, Britain's biggest mortgage lender, that sales of new homes has risen by a fifth so far this year was later followed by the Treasury's encouraging monetary report. This indicated that shop sales are rising, house prices falling less sharply and overall activity improving.

The market has also been helped by the satisfactory tone of trading results from major companies over the past fortnight.

The banking sector responded well yesterday to the report from Midland, now part of Hongkong Banking, but a question mark still hangs over today's trading and dividend statement from Barclays.

Traders admitted to having been caught out by the sudden rebound in the stock market. Marketmakers had begun to move towards balanced trading books ahead of the Budget and were short of stock. The final minutes of trading brought some hints that a rights issue was planned for this morning.

FT-SE Actuaries Share Indices THE UK SERIES

| FT-SE 100 | FT-SE MID 250 | FT-A ALL-SHARE |
|--------------|---------------|----------------|
| 2918.6 +36.3 | 3077.9 +27.9 | 1419.72 +16.31 |

| | Day's change | Mar 3 | Mar 2 | Mar 1 | Feb 25 | Year | Dividend yield % | P/E ratio | Dividend yield % | P/E ratio |
|----------------|--------------|---------|---------|---------|---------|---------|------------------|-----------|------------------|-----------|
| FT-SE 100 | +1.3 | 2918.6 | 2882.3 | 2882.6 | 2882.6 | 2558.4 | 6.34 | 4.15 | 20.07 | 13.45 |
| FT-SE MID 250 | +0.8 | 3077.9 | 3050.0 | 3049.7 | 3038.1 | 2823.6 | 6.70 | 4.16 | 18.67 | 8.00 |
| FT-SE-A 250 | +1.2 | 1430.0 | 1421.1 | 1421.2 | 1414.1 | 1243.1 | 6.42 | 4.15 | 19.80 | 6.11 |
| FT-SE 100/250 | +0.7 | 1549.02 | 1541.58 | 1538.11 | 1538.94 | 1538.94 | 5.90 | 4.29 | 24.23 | 5.92 |
| FT-A ALL-SHARE | +1.2 | 1419.72 | 1403.41 | 1403.48 | 1396.53 | 1228.44 | 6.35 | 4.15 | 20.09 | 5.96 |

| | Day's change | Mar 3 | Mar 2 | Mar 1 | Feb 25 | Year | Dividend yield % | P/E ratio | Dividend yield % | P/E ratio |
|---------------------------------|--------------|---------|---------|---------|---------|---------|------------------|-----------|------------------|-----------|
| 1 CAPITAL GROUPS(11) | +1.4 | 951.08 | 937.96 | 935.25 | 926.03 | 799.05 | 5.92 | 4.44 | 22.12 | 1.70 |
| 2 Building Materials(27) | +0.5 | 927.75 | 917.72 | 917.48 | 908.28 | 972.42 | 5.19 | 5.37 | 27.44 | 0.77 |
| 3 Contracting, Construction(29) | +0.5 | 925.75 | 917.72 | 917.48 | 908.28 | 972.42 | 5.19 | 5.37 | 27.44 | 0.77 |
| 4 Food & Drink(10) | +0.5 | 925.75 | 917.72 | 917.48 | 908.28 | 972.42 | 5.19 | 5.37 | 27.44 | 0.77 |
| 5 Electronics(25) | +1.0 | 2561.51 | 2541.84 | 2541.84 | 2541.84 | 2541.84 | 6.16 | 3.32 | 24.54 | 3.26 |
| 6 Engineering-Aerospace(7) | +0.5 | 355.52 | 350.01 | 349.81 | 351.70 | 339.26 | 9.85 | 5.04 | 12.80 | 1.03 |
| 7 Engineering-General(52) | +0.5 | 559.91 | 551.54 | 550.47 | 547.11 | 494.47 | 7.17 | 4.22 | 17.24 | 1.49 |
| 8 Metals & Metal Finishing(11) | +0.7 | 387.17 | 384.25 | 377.71 | 370.55 | 324.43 | 4.48 | 3.39 | 32.45 | 0.54 |
| 9 Motors(18) | +0.1 | 402.26 | 396.00 | 396.00 | 396.00 | 318.10 | 4.93 | 5.85 | 29.80 | 0.00 |
| 10 Other Industrials(16) | +1.6 | 2088.54 | 2055.54 | 2052.12 | 2033.11 | 1583.81 | 5.96 | 4.07 | 20.39 | 0.39 |
| 21 CONSUMER GROUPS(22) | +0.7 | 1718.93 | 1706.65 | 1707.87 | 1696.63 | 1609.36 | 6.87 | 3.48 | 18.08 | 6.37 |
| 22 Breweries & Distillers(28) | -0.5 | 1947.21 | 1956.45 | 1957.98 | 1946.62 | 2101.13 | 5.85 | 3.90 | 14.09 | 10.18 |
| 23 Food Manufacturers(22) | -0.1 | 1441.79 | 1442.82 | 1442.82 | 1426.60 | 1266.66 | 7.32 | 3.07 | 17.82 | 1.54 |
| 24 Food Retailing(18) | +0.5 | 3181.13 | 3181.13 | 3181.13 | 3181.13 | 2856.44 | 7.92 | 3.10 | 16.16 | 2.40 |
| 25 Health & Household(28) | +1.5 | 3844.96 | 3785.69 | 3811.83 | 3802.09 | 4291.22 | 6.04 | 3.10 | 16.16 | 2.40 |
| 26 Hotels and Leisure(20) | +1.3 | 1354.79 | 1336.91 | 1331.84 | 1329.13 | 1291.21 | 6.27 | 5.08 | 20.93 | 14.46 |
| 27 Media(33) | +0.3 | 1897.46 | 1881.24 | 1881.53 | 1874.75 | 1588.43 | 5.48 | 2.84 | 22.72 | 3.38 |
| 28 Packaging and Paper(23) | +0.3 | 851.31 | 843.57 | 843.24 | 832.99 | 765.90 | 6.33 | 3.87 | 19.49 | 0.57 |
| 29 Pharmaceuticals(35) | +1.3 | 1125.51 | 1128.95 | 1128.95 | 1128.95 | 1074.12 | 6.26 | 3.19 | 21.00 | 2.92 |
| 30 Textiles(25) | +0.7 | 784.50 | 785.58 | 785.58 | 785.58 | 655.22 | 6.23 | 4.03 | 20.32 | 0.86 |
| 40 OTHER GROUPS(142) | +1.3 | 1524.97 | 1506.49 | 1508.88 | 1495.63 | 1282.74 | 7.37 | 4.28 | 15.57 | 4.84 |
| 41 Business Services(19) | +1.3 | 1899.89 | 1847.78 | 1856.96 | 1851.28 | 1304.27 | 7.30 | 3.99 | 13.37 | 1.49 |
| 42 Chemicals(23) | +0.9 | 1548.00 | 1518.88 | 1528.20 | 1523.88 | 1513.56 | 5.94 | 4.72 | 22.33 | 0.67 |
| 43 Conglomerates(11) | +0.7 | 1506.07 | 1495.79 | 1493.15 | 1492.57 | 1334.36 | 6.94 | 5.32 | 16.30 | 13.31 |
| 44 Transport(16) | +0.3 | 2858.67 | 2828.04 | 2829.34 | 2808.43 | 2435.45 | 7.27 | 4.05 | 16.62 | 3.49 |
| 45 Electricity(16) | +0.8 | 1653.00 | 1658.00 | 1658.00 | 1646.16 | 1249.93 | 12.95 | 4.54 | 9.92 | 16.54 |
| 46 Telephones Networks(4) | +0.3 | 1750.58 | 1740.51 | 1740.51 | 1740.51 | 1740.51 | 12.95 | 4.54 | 9.92 | 16.54 |
| 47 Water(13) | +0.8 | 3489.00 | 3462.25 | 3446.57 | 3414.15 | 2473.35 | 12.95 | 4.54 | 9.92 | 16.54 |
| 48 Miscellaneous(32) | +0.8 | 2432.93 | 2412.65 | 2412.65 | 2412.65 | 1774.58 | 12.95 | 4.54 | 9.92 | 16.54 |
| 49 INDUSTRIAL GROUPS(8) | +1.0 | 1471.95 | 1456.75 | 1457.59 | 1447.93 | 1313.81 | 7.06 | 3.96 | 17.69 | 4.66 |
| 50 Oil & Gas(18) | +1.5 | 2421.25 | 2385.05 | 2382.12 | 2388.19 | 2058.29 | 5.92 | 5.26 | 21.91 | 23.60 |
| 51 "BSE" SHARE INDEXES(2) | +1.1 | 1558.31 | 1541.45 | 1540.68 | 1533.39 | 1383.71 | 6.94 | 4.10 | 18.06 | 6.02 |
| 52 FINANCIAL GROUPS(9) | +1.6 | 963.38 | 967.50 | 970.05 | 966.02 | 732.05 | 5.83 | 4.70 | 43.16 | 6.00 |
| 62 Banks(9) | +1.7 | 1351.52 | 1328.85 | 1333.54 | 1333.20 | 916.57 | 5.92 | 4.43 | 27.93 | 10.88 |
| 63 Insurance (Life)(6) | +1.7 | 2006.91 | 1973.49 | 1955.16 | 1923.24 | 1468.93 | 5.92 | 4.43 | 27.93 | 10.88 |
| 64 Insurance (Non-Life)(7) | +2.0 | 659.67 | 645.63 | 653.29 | 637.21 | 494.46 | 7.40 | 6.72 | 18.23 | 4.42 |
| 65 Insurance (Composite)(7) | +2.0 | 659.67 | 645.63 | 653.29 | 637.21 | 494.46 | 7.40 | 6.72 | 18.23 | 4.42 |
| 66 Insurance (Other)(1) | +2.3 | 69.14 | 68.79 | 68.79 | 68.79 | 1000.36 | 6.96 | 3.75 | 16.18 | 2.32 |
| 67 Merchant Banks(1) | +2.3 | 69.14 | 68.79 | 68.79 | 68.79 | 1000.36 | 6.96 | 3.75 | 16.18 | 2.32 |
| 68 Property(8) | +2.3 | 737.75 | 711.79 | 729.03 | 727.13 | 726.56 | 7.81 | 3.74 | 17.01 | 1.35 |
| 69 Other Financial(23) | +2.3 | 345.22 | 344.16 | 345.14 | 344.66 | 246.91 | 6.36 | 4.95 | 20.67 | 1.10 |
| 70 Investment Trusts(107) | +1.5 | 1459.54 | 1448.01 | 1453.14 | 1445.82 | 1194.95 | 2.28 | 2.90 | 43.77 | 6.85 |
| 99 FT-A ALL-SHARE(7) | +1.2 | 1419.72 | 1403.41 | 1403.48 | 1396.53 | 1228.44 | 6.35 | 4.15 | 20.09 | 5.96 |

| Hourly movements | FT-SE 100 | FT-SE MID 250 | FT-SE-A 250 | FT-SE 100/250 | FT-A ALL-SHARE |
|------------------|-----------|---------------|-------------|---------------|----------------|
| 9.00 | 2904.9 | 3060.0 | 1430.0 | 1549.0 | 1419.7 |
| 10.00 | 2902.0 | 3058.0 | 1429.8 | 1548.5 | 1419.7 |
| 11.00 | 2908.4 | 3061.0 | 1432.3 | 1549.7 | 1419.7 |
| 12.00 | 2912.3 | 3061.0 | 1432.3 | 1549.7 | 1419.7 |
| 13.00 | 2913.2 | 3061.0 | 1432.3 | 1549.7 | 1419.7 |
| 14.00 | 2913.2 | 3061.0 | 1432.3 | 1549.7 | 1419.7 |
| 15.00 | 2913.2 | 3061.0 | 1432.3 | 1549.7 | 1419.7 |
| 16.00 | 2913.2 | 3061.0 | 1432.3 | 1549.7 | 1419.7 |
| 17.00 | 2913.2 | 3061.0 | 1432.3 | 1549.7 | 1419.7 |
| 18.00 | 2913.2 | 3061.0 | 1432.3 | 1549.7 | 1419.7 |
| 19.00 | 2913.2 | 3061.0 | 1432.3 | 1549.7 | 1419.7 |
| 20.00 | 2913.2 | 3061.0 | 1432.3 | 1549.7 | 1419.7 |
| 21.00 | 2913.2 | 3061.0 | 1432.3 | 1549.7 | 1419.7 |
| 22.00 | 2913.2 | 3061.0 | 1432.3 | 1549.7 | 1419.7 |
| 23.00 | 2913.2 | 3061.0 | 1432.3 | 1549.7 | 1419.7 |
| 24.00 | 2913.2 | 3061.0 | 1432.3 | 1549.7 | 1419.7 |

| FT-SE Actuaries 350 Industry Baskets | Notes | Price | Change | High | Low | Open | Close | Prev. close | Change |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|-------------|--------|
| Automotive | 1008.8 | 1613.0 | 1013.2 | 1618.4 | 1618.0 | 1619.8 | 1619.8 | 1620.4 | +1.56 |
| Healthcare | 1153.8 | 1152.5 | 1157.2 | 1155.8 | 1157.5 | 1158.8 | 1158.8 | 1158.8 | +1.75 |
| Finance | 1435.5 | 1432.9 | 1437.2 | 1437.2 | 1442.8 | 1444.8 | 1443.8 | 1443.8 | +1.14 |
| Real Estate | 1022.2 | 1024.8 | 1024.8 | 1024.8 | 1024.8 | 1024.8 | 1024.8 | 1024.8 | +2.77 |

Additional information on the FT-SE Actuaries Share Indices is published in Saturday Issues. Lists of constituents are available from the Financial Times Limited, One Southwark Bridge, London SE1 1TA. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.

The indices in the size of the FT-SE Actuaries Share Indices are calculated on a daily basis. The FT-SE 100 index is calculated on a daily basis. The FT-SE Mid 250 index is calculated on a daily basis. The FT-SE-A 250 index is calculated on a daily basis. The FT-SE 100/250 index is calculated on a daily basis. The FT-A ALL-SHARE index is calculated on a daily basis.

The FT-SE Actuaries Share Indices are audited by The Wm Company.

LONDON SHARE SERVICE

BRITISH FUNDS - Cont.

| Notes | Price | Change | High | Low | Open | Close | Prev. close | Change |
|--------|--------|--------|--------|--------|--------|--------|-------------|--------|
| 1008.8 | 1613.0 | 1013.2 | 1618.4 | 1618.0 | 1619.8 | 1619.8 | 1620.4 | +1.56 |
| 1153.8 | 1152.5 | 1157.2 | 1155.8 | 1157.5 | 1158.8 | 1158.8 | 1158.8 | +1.75 |
| 1435.5 | 1432.9 | 1437.2 | 1437.2 | 1442.8 | 1444.8 | 1443.8 | 1443.8 | +1.14 |
| 1022.2 | 1024.8 | 1024.8 | 1024.8 | 1024.8 | 1024.8 | 1024.8 | 1024.8 | +2.77 |

OTHER FIXED INTEREST

| Notes | Price | Change | High | Low | Open | Close | Prev. close | Change |
|--------|--------|--------|--------|--------|--------|--------|-------------|--------|
| 1008.8 | 1613.0 | 1013.2 | 1618.4 | 1618.0 | 1619.8 | 1619.8 | 1620.4 | +1.56 |
| 1153.8 | 1152.5 | 1157.2 | 1155.8 | 1157.5 | 1158.8 | 1158.8 | 1158.8 | +1.75 |
| 1435.5 | 1432.9 | 1437.2 | 1437.2 | 1442.8 | 1444.8 | 1443.8 | 1443.8 | +1.14 |
| 1022.2 | 1024.8 | 1024.8 | 1024.8 | 1024.8 | 1024.8 | 1024.8 | 1024.8 | +2.77 |

Continued on next page

Biscuit's deal falls flat

UNITED Biscuits, which confirmed the sale of its Terry's chocolate making subsidiary to Kraft General Foods International, failed to follow the strong trend of the rest of the market because of disappointment that it had not been able to secure a higher price.

The company said it was selling Terry's to the Philip Morris subsidiary for £220m, although a number of market watchers had predicted a figure around the £200m mark.

The stock fell heavily, giving up 14 to 37p in trade of 4.1m. As it has outperformed the market by around 10 per cent over the past two weeks in anticipation of the sale, some of the day's selling was put down to simple profit-taking.

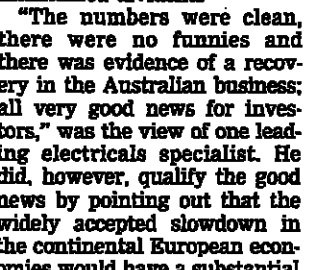
Mr Carl Short at Nomura commented: "It is a sensible deal given United Biscuits' desire to invest in other snacks and biscuit companies."

He was, however, among those who advised investors to take profits following the recent strength of the shares.

Dividend pleases

The market gave approval to BICCO's preliminary numbers which, although slightly below expectations on the pre-tax

FT-A All-Share Index



Equity Shares Traded



BAe in demand

British Aerospace (BAe) featured strongly. S.G. Warburg was said to have cleared an overhanging line of stock but then sought to replenish its trading books. The shares were 13p ahead at 272p by the close.

Further buying came from agency broker Henderson Croxall, a long-time bull of the stock. Mr Brian Newman at the house predicted a sharp turn-around at the Rover car subsidiary as well as further defence contracts. He now believes the break-up value of the group to be in the region of 600p.

Trading volume in BAe reached 4.1m shares.

Barclays nerves

There was a tumble late in the session in Barclays shares as the market grew increasingly nervous about the possibility of a cut in the dividend. The bank reveals preliminary figures this morning.

The stock raced up to 436p during early trading, with the recent share price at 428p before settling to finish at 433p for a net gain of a penny.

Barclays' discomfort during the late afternoon was in sharp contrast to the strong showing of HSBC, which forged ahead to close 28p higher at 624p after the well-received preliminary results from Midland Bank, taken over by HSBC last year. HSBC shares were additionally helped by the good performance of the Hong Kong market.

Lloyds, meanwhile, rose 9p to 540p and National Westminster, boosted by switching out of Barclays, put on 8p at 443p in heavy turnover of 5.3m.

The outstanding performance of Standard Chartered shares in the run-up to the March 10 figures continued

Much of the domestic buying interest in the sector was said to have been generated by an uprating of the sector by S.G. Warburg Securities, one of the leading UK integrated investment houses.

It was said that Warburg had shifted its stance on the oil sector from "hold" to "buy", citing the effect of currency movements on the sector. Warburg was thought to have been especially bullish of prospects for the exploration and production sector. Enterprise moved up 7p to 478p and Lloyds 3p to 538p.

FINANCIAL TIMES THURSDAY MARCH 4 1993

INVESTMENT TRUSTS - CONT.

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INDEX 3-11

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

Continued on next page

FT MANAGED FUNDS SERVICE • Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

| UK FUNDS | | | | | | | | | |
|---------------------------------------|---------------|----------------------|-------------|-------|-------|-----------|-------|------|------|
| Fund Name | Manager | Investment Objective | Assets (£m) | Units | Price | Yield (%) | 12m % | 3m % | 6m % |
| Prudential Life Assurance Ltd | | | | | | | | | |
| Prudential Life Assurance Ltd | Prudential | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |
| Prudential Life Assurance Ltd | Prudential | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |
| Scottish Life Assurance Ltd | | | | | | | | | |
| Scottish Life Assurance Ltd | Scottish Life | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |
| Scottish Life Assurance Ltd | Scottish Life | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |
| Standard Life Assurance Co Ltd | | | | | | | | | |
| Standard Life Assurance Co Ltd | Standard Life | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |
| Standard Life Assurance Co Ltd | Standard Life | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |
| Guernsey (SIB REG) | | | | | | | | | |
| Guernsey (SIB REG) | Guernsey | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |
| Guernsey (SIB REG) | Guernsey | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |
| Jersey (SIB REG) | | | | | | | | | |
| Jersey (SIB REG) | Jersey | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |
| Jersey (SIB REG) | Jersey | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |
| Isle of Man (SIB REG) | | | | | | | | | |
| Isle of Man (SIB REG) | Isle of Man | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |
| Isle of Man (SIB REG) | Isle of Man | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |
| Offshore Insurance | | | | | | | | | |
| Offshore Insurance | Offshore | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |
| Offshore Insurance | Offshore | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |
| Management Services | | | | | | | | | |
| Management Services | Management | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |
| Management Services | Management | Life Assurance | 1,200 | 100 | 1.00 | 4.5 | 12.5 | 3.5 | 6.5 |

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Waiting for the Bundesbank

BOTH the dollar and sterling registered small gains against the D-Mark in European trading yesterday after the Bundesbank drained rather less liquidity from the German money market than dealers had expected, writes James Blitz.

Around DM32bn of funds have been added to the market this week in the wake of the easing of minimum reserve requirements for German banks. Although some DM14.8bn was drained earlier in the week by the introduction of short-term bills to the market, the Bundesbank will withdraw a further DM2.4bn more from the system yesterday in its weekly operations.

This brought a slight lowering in D-Mark money market rates. The Bundesbank's accommodative stance made the comparatively low short term rates in the US and UK look less cheap. The dollar closed 1/4 pfm higher in Europe at DM1.6450, while the pound continued the week's rally closing another 1/4 pfm higher at DM2.3850.

If the moves in the dollar and sterling were muted, it was probably because dealers were waiting for the two most important events of the week: today's Bundesbank council

meeting and tomorrow's non-farm payroll figure.

Will the Bundesbank ease official rates today? The council's deliberations are, in the analysts' unpredictable. But Miss Alison Cottrell of Midland Global Markets, believes the council will only announce a lower fixed rate repo for next week.

In her view, recent declarations by two regional council members that inflation was not beaten put the council's hawk in the week. She also believes that a small cut in the discount rate might backfire on the Bundesbank, because it would suggest to the foreign exchange markets that German rates were coming down too slowly to take pressure off the French authorities - and this might bring a return to the strains in the European exchange rate mechanism.

Mr Christian Dunis, an economist at Chemical Bank in London, also believes that

there is insufficient pressure in the ERM to force the Bundesbank to ease policy.

He says that the Bundesbank could leave official rates untouched at both today's meeting and the one on the 18th because the most likely time for pressure to return will be after a right wing government is elected in France at the end of the month.

However, other economists believe that the economic outlook in Germany is deteriorating at such a pace that the Bundesbank will be forced to stimulate policy as soon as possible.

A critical test for sterling in the remainder of this week will be whether it crosses the crucial DM2.40 barrier against the D-Mark. But Ian Harnett of Société Générale Strauss-Turnbull believes the currency will be sold down again whether the Bundesbank eases today or not.

EMS EUROPEAN CURRENCY UNIT RATES

| Currency | Unit | Rate | % Change | % Spread | Divergence |
|-------------------|----------|---------|----------|----------|------------|
| Spanish Peseta | 166.636 | 1.39476 | -1.88 | 2.48 | 33 |
| Irish Punt | 0.787564 | 1.40935 | -1.43 | 1.99 | 33 |
| Portuguese Escudo | 200.482 | 1.36463 | -1.43 | 1.99 | 33 |
| French Franc | 6.55957 | 1.36603 | -1.43 | 1.99 | 33 |
| Italian Lira | 2036.268 | 1.36603 | -1.43 | 1.99 | 33 |
| German Mark | 1.00 | 1.00000 | 0.00 | 0.00 | 0 |
| UK Pound | 1.00 | 2.38500 | 0.00 | 0.00 | 0 |
| US Dollar | 1.00 | 1.64500 | 0.00 | 0.00 | 0 |

See central rates set by the European Commission. Currencies are in descending order of value. Percentage change from previous day's closing rate. % Spread is the difference between the highest and lowest rates. % Divergence is the difference between the highest and lowest rates.

STERLING INDEX

| Index | Mar 3 | Mar 2 | Previous |
|-------|-------|-------|----------|
| 3.00 | 77.5 | 77.5 | 77.5 |
| 2.00 | 77.5 | 77.5 | 77.5 |
| 1.00 | 77.5 | 77.5 | 77.5 |
| 0.00 | 77.5 | 77.5 | 77.5 |
| -1.00 | 77.5 | 77.5 | 77.5 |
| -2.00 | 77.5 | 77.5 | 77.5 |
| -3.00 | 77.5 | 77.5 | 77.5 |
| -4.00 | 77.5 | 77.5 | 77.5 |

CURRENCY RATES

| Currency | Rate | % Change |
|--------------|---------|----------|
| Sterling | 2.38500 | 0.00 |
| US Dollar | 1.64500 | 0.00 |
| Japanese Yen | 164.500 | 0.00 |
| Swiss Franc | 1.64500 | 0.00 |
| French Franc | 1.36603 | 0.00 |
| Italian Lira | 1.36603 | 0.00 |
| German Mark | 1.00000 | 0.00 |
| UK Pound | 1.00000 | 0.00 |

CURRENCY MOVEMENTS

| Currency | Rate | % Change |
|--------------|---------|----------|
| Sterling | 2.38500 | 0.00 |
| US Dollar | 1.64500 | 0.00 |
| Japanese Yen | 164.500 | 0.00 |
| Swiss Franc | 1.64500 | 0.00 |
| French Franc | 1.36603 | 0.00 |
| Italian Lira | 1.36603 | 0.00 |
| German Mark | 1.00000 | 0.00 |
| UK Pound | 1.00000 | 0.00 |

OTHER CURRENCIES

| Currency | Rate | % Change |
|--------------|---------|----------|
| Sterling | 2.38500 | 0.00 |
| US Dollar | 1.64500 | 0.00 |
| Japanese Yen | 164.500 | 0.00 |
| Swiss Franc | 1.64500 | 0.00 |
| French Franc | 1.36603 | 0.00 |
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| German Mark | 1.00000 | 0.00 |
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CURRENCY MOVEMENTS

| Currency | Rate | % Change |
|--------------|---------|----------|
| Sterling | 2.38500 | 0.00 |
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| German Mark | 1.00000 | 0.00 |
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| Currency | Rate | % Change |
|--------------|---------|----------|
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| UK Pound | 1.00000 | 0.00 |

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| Currency | Rate | % Change |
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| Sterling | 2.38500 | 0.00 |
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| French Franc | 1.36603 | 0.00 |
| Italian Lira | 1.36603 | 0.00 |
| German Mark | 1.00000 | 0.00 |
| UK Pound | 1.00000 | 0.00 |

FINANCIAL FUTURES AND OPTIONS

LIFE LONG GALT FUTURES

| Contract | Price | % Change |
|----------|--------|----------|
| 100 | 100.00 | 0.00 |
| 200 | 200.00 | 0.00 |
| 300 | 300.00 | 0.00 |
| 400 | 400.00 | 0.00 |
| 500 | 500.00 | 0.00 |

LIFE LONG GALT FUTURES

| Contract | Price | % Change |
|----------|--------|----------|
| 100 | 100.00 | 0.00 |
| 200 | 200.00 | 0.00 |
| 300 | 300.00 | 0.00 |
| 400 | 400.00 | 0.00 |
| 500 | 500.00 | 0.00 |

LIFE LONG GALT FUTURES

| Contract | Price | % Change |
|----------|--------|----------|
| 100 | 100.00 | 0.00 |
| 200 | 200.00 | 0.00 |
| 300 | 300.00 | 0.00 |
| 400 | 400.00 | 0.00 |
| 500 | 500.00 | 0.00 |

LIFE LONG GALT FUTURES

| Contract | Price | % Change |
|----------|--------|----------|
| 100 | 100.00 | 0.00 |
| 200 | 200.00 | 0.00 |
| 300 | 300.00 | 0.00 |
| 400 | 400.00 | 0.00 |
| 500 | 500.00 | 0.00 |

LIFE LONG GALT FUTURES

| Contract | Price | % Change |
|----------|--------|----------|
| 100 | 100.00 | 0.00 |
| 200 | 200.00 | 0.00 |
| 300 | 300.00 | 0.00 |
| 400 | 400.00 | 0.00 |
| 500 | 500.00 | 0.00 |

LIFE LONG GALT FUTURES

| Contract | Price | % Change |
|----------|--------|----------|
| 100 | 100.00 | 0.00 |
| 200 | 200.00 | 0.00 |
| 300 | 300.00 | 0.00 |
| 400 | 400.00 | 0.00 |
| 500 | 500.00 | 0.00 |

LIFE LONG GALT FUTURES

| 100290,000 100th of 100% | | | | | | Mar | 97.04 | 97.04 | 97.02 |
|---|-------|-------|-------|-------|--|-----|-------|-------|-------|
| | Close | High | Low | Prev. | | Jan | 97.00 | 97.02 | 96.99 |
| Mar | 95.81 | 95.85 | 95.46 | 95.51 | | Sep | 96.85 | 96.85 | 96.85 |
| Jun | 96.20 | 96.27 | 95.88 | 95.5% | | Dec | 96.60 | 96.60 | 96.58 |
| Estimated volume 98174 (110363) | | | | | | | | | |
| Breakdown of net's orders Jan 145072 (114296) | | | | | | | | | |

[illegible][illegible]

CANADA

| Sales | Stock | High | Low | Close | Day | Sales | Stock | High | Low | Close | Day | Sales | Stock | High | Low | Close | Day | Sales | Stock | High | Low | Close | Day |
|---------------------------------|-------------|----------|--------|--------|-----|-------|-----------|----------|--------|--------|-----|-------|----------|----------|-----|--------|-----|-------|----------|----------|-----|--------|-----|
| TORONTO | | | | | | | | | | | | | | | | | | | | | | | |
| 4 pm close March 3 | | | | | | | | | | | | | | | | | | | | | | | |
| Deductions in brackets marked 6 | | | | | | | | | | | | | | | | | | | | | | | |
| 53000 | Albair Pl | \$13 1/2 | 13 | 13 1/2 | | 58000 | Ed Roy | \$6 1/2 | 6 | 6 1/2 | | 71000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 82000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 11800 | Alphacore | \$6 1/2 | 5 1/2 | 5 1/2 | | 1000 | Enco Ltd | \$6 1/2 | 6 1/2 | 6 1/2 | | 82100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 83000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35300 | Albair Pl | \$13 1/2 | 13 | 13 1/2 | | 1700 | Bowling | \$6 1/2 | 6 1/2 | 6 1/2 | | 83400 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 3170 | Albair Pl | \$13 1/2 | 13 | 13 1/2 | | 14700 | Sato Rev | \$1 1/2 | 1 1/2 | 1 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 11100 | Albair Pl | \$13 1/2 | 13 | 13 1/2 | | 2300 | FPL Ltd | \$7 1/2 | 7 1/2 | 7 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 10000 | Albair Pl | \$13 1/2 | 13 | 13 1/2 | | 2300 | FPL Ltd | \$7 1/2 | 7 1/2 | 7 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 162000 | Albair Pl | \$13 1/2 | 13 | 13 1/2 | | 2300 | FPL Ltd | \$7 1/2 | 7 1/2 | 7 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 1000 | Albair Pl | \$13 1/2 | 13 | 13 1/2 | | 2300 | FPL Ltd | \$7 1/2 | 7 1/2 | 7 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 260100 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 420000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 4000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 7400 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
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| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 30700 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
| 35000 | Bt Martin's | \$10 1/2 | 10 1/2 | 10 1/2 | | 1300 | Bentley A | \$18 1/2 | 18 1/2 | 18 1/2 | | 79100 | McKenzie | \$11 1/2 | 11 | 11 1/2 | | 84000 | McKenzie | \$11 1/2 | 11 | 11 1/2 | |
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|------------|-----------|-----|------|--------------|--------|--------|--------|
| PLR Index | 12,044.10 | 0 | % | New York SE | 285.50 | 282.00 | 234.10 |
| Mid-Attn | 5,045.00 | 20% | + % | Amex | 12.50 | 12.50 | 14.070 |
| PLR Minis | 4,242.00 | 0% | + % | NASDAQ | 207.01 | 195.00 | 217.35 |
| BanAmIndex | 3,919.00 | 0% | % | | | | |
| Mid-Attn | 3,028.00 | 0% | - 1% | NYSE | | | |
| Minis | 2,335.00 | 28% | % | Imaxe Traded | 2,463 | 2,488 | 2,488 |
| K-Start | 1,862.00 | 0% | % | | 1,275 | 1,056 | 1,180 |
| Mid-Attn | 1,591.00 | 0% | % | Folio | 540 | 863 | 746 |
| Minis | 1,050.00 | 0% | % | Unchanged | 568 | 500 | 563 |
| GBA | 1,022.00 | 0% | % | New High | 177 | 187 | 177 |
| Coca-Cola | 1,779.00 | 0% | % | New Low | 10 | 12 | 8 |

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| CANADA | | | | | | |
| TORONTO | | | | | | |
| | Mar | 1 | 50 | Feb | | |
| | 1982/83 | | | | | |
| | LOW | | | | | |
| | HIGH | | | | | |
| Metals & Minerals | 292.00 | 299.00 | 290.11 | 291.28 | 323.87 | 317.00 (11/1/82) |
| Commodities | 3446.22 | 3432.68 | 3451.69 | 3453.04 | 3608.00 | 3617.80 (11/1/82) |
| | 1768.70 | 1761.58 | 1771.25 | 1762.82 | 1857.08 | 1815.46 (11/1/82) |

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| Metals & Minerals | 292.00 | 299.00 | 290.11 | 291.28 | 323.87 | 317.00 (11/1/82) |
| Commodities | 3446.22 | 3432.68 | 3451.69 | 3453.04 | 3608.00 | 3617.80 (11/1/82) |
| | 1768.70 | 1761.58 | 1771.25 | 1762.82 | 1857.08 | 1815.46 (11/1/82) |

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| Metals & Minerals | 292.00 | 299.00 | 290.11 | 291.28 | 323.87 | 317.00 (11/1/82) |
| Commodities | 3446.22 | 3432.68 | 3451.69 | 3453.04 | 3608.00 | 3617.80 (11/1/82) |
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| Metals & Minerals | 292.00 | 299.00 | 290.11 | 291.28 | 323.87 | 317.00 (11/1/82) |
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| Metals & Minerals | 292.00 | 299.00 | 290.11 | 291.28 | 323.87 | 317.00 (11/1/82) |
| Commodities | 3446.22 | 3432.68 | 3451.69 | 3453.04 | 3608.00 | 3617.80 (11/1/82) |
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| Commodities | 3446.22 | 3432.68 | 3451.69 | 3453.04 | 3608.00 | 3617.80 (11/1/82) |
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| Commodities | 3446.22 | 3432.68 | 3451.69 | 3453.04 | 3608.00 | 3617.80 (11/1/82) |
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| Metals & Minerals | 292.00 | 299.00 | 290.11 | 291.28 | 323.87 | 317.00 (11/1/82) |
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| | 1982/83 | | | | | |
| | LOW | | | | | |
| | HIGH | | | | | |
| Metals & Minerals | 292.00 | 299.00 | 290.11 | 291.28 | 323.87 | 317.00 (11/1/82) |
| Commodities | 3446.22 | 3432.68 | 3451.69 | 3453.04 | 3608.00 | 3617.80 (11/1/82) |
| | 1768.70 | 1761.58 | 1771.25 | 1762.82 | 1857.08 | 1815.46 (11/1/82) |

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| | 1768.70 | 1761.58 | 1 | | | |

| TOKYO - Most Active Stocks | | | | | | |
|----------------------------|--------|---------|--------|----------------|--------|---------|
| Wednesday, March 3, 1993 | | | | | | |
| | Stocks | Closing | Change | | Stocks | Closing |
| | Traded | Prices | on day | | Traded | Prices |
| Suzuki Motor | 3.6m | 850 | -3 | Nissan Corolla | 3.3m | 731 |
| Shimizu Corp | 3.6m | 608 | +28 | Mitsui Min Sm | 3.2m | 407 |
| Mitsubishi Ind | 3.5m | 1010 | -30 | Nissan Sent | 3.2m | 263 |
| Isuzu Motor | 3.4m | 251 | -5 | NEC Corp | 2.8m | 622 |
| Mitsui Cable | 3.4m | 585 | +9 | Fujitsu | 2.3m | 579 |

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4 pm class March 3

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|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|
| 101 | 102 | 103 | 104 | 105 | 106 | 107 | 108 | 109 | 110 |
| 111 | 112 | 113 | 114 | 115 | 116 | 117 | 118 | 119 | 120 |
| 121 | 122 | 123 | 124 | 125 | 126 | 127 | 128 | 129 | 130 |
| 131 | 132 | 133 | 134 | 135 | 136 | 137 | 138 | 139 | 140 |
| 141 | 142 | 143 | 144 | 145 | 146 | 147 | 148 | 149 | 150 |
| 151 | 152 | 153 | 154 | 155 | 156 | 157 | 158 | 159 | 160 |
| 161 | 162 | 163 | 164 | 165 | 166 | 167 | 168 | 169 | 170 |
| 171 | 172 | 173 | 174 | 175 | 176 | 177 | 178 | 179 | 180 |
| 181 | 182 | 183 | 184 | 185 | 186 | 187 | 188 | 189 | 190 |
| 191 | 192 | 193 | 194 | 195 | 196 | 197 | 198 | 199 | 200 |
| 201 | 202 | 203 | 204 | 205 | 206 | 207 | 208 | 209 | 210 |
| 211 | 212 | 213 | 214 | 215 | 216 | 217 | 218 | 219 | 220 |
| 221 | 222 | 223 | 224 | 225 | 226 | 227 | 228 | 229 | 230 |
| 231 | 232 | 233 | 234 | 235 | 236 | 237 | 238 | 239 | 240 |
| 241 | 242 | 243 | 244 | 245 | 246 | 247 | 248 | 249 | 250 |
| 251 | 252 | 253 | 254 | 255 | 256 | 257 | 258 | 259 | 260 |
| 261 | 262 | 263 | 264 | 265 | 266 | 267 | 268 | 269 | 270 |
| 271 | 272 | 273 | 274 | 275 | 276 | 277 | 278 | 279 | 280 |
| 281 | 282 | 283 | 284 | 285 | 286 | 287 | 288 | 289 | 290 |
| 291 | 292 | 293 | 294 | 295 | 296 | 297 | 298 | 299 | 300 |
| 301 | 302 | 303 | 304 | 305 | 306 | 307 | 308 | 309 | 310 |
| 311 | 312 | 313 | 314 | 315 | 316 | 317 | 318 | 319 | 320 |
| 321 | 322 | 323 | 324 | 325 | 326 | 327 | 328 | 329 | 330 |
| 331 | 332 | 333 | 334 | 335 | 336 | 337 | 338 | 339 | 340 |
| 341 | 342 | 343 | 344 | 345 | 346 | 347 | 348 | 349 | 350 |
| 351 | 352 | 353 | 354 | 355 | 356 | 357 | 358 | 359 | 360 |
| 361 | 362 | 363 | 364 | 365 | 366 | 367 | 368 | 369 | 370 |
| 371 | 372 | 373 | 374 | 375 | 376 | 377 | 378 | 379 | 380 |
| 381 | 382 | 383 | 384 | 385 | 386 | 387 | 388 | 389 | 390 |
| 391 | 392 | 393 | 394 | 395 | 396 | 397 | 398 | 399 | 400 |
| 401 | 402 | 403 | 404 | 405 | 406 | 407 | 408 | 409 | 410 |
| 411 | 412 | 413 | 414 | 415 | 416 | 417 | 418 | 419 | 420 |
| 421 | 422 | 423 | 424 | 425 | 426 | 427 | 428 | 429 | 430 |
| 431 | 432 | 433 | 434 | 435 | 436 | 437 | 438 | 439 | 440 |
| 441 | 442 | 443 | 444 | 445 | 446 | 447 | 448 | 449 | 450 |
| 451 | 452 | 453 | 454 | 455 | 456 | 457 | 458 | 459 | 460 |
| 461 | 462 | 463 | 464 | 465 | 466 | 467 | 468 | 469 | 470 |
| 471 | 472 | 473 | 474 | 475 | 476 | 477 | 478 | 479 | 480 |
| 481 | 482 | 483 | 484 | 485 | 486 | 487 | 488 | 489 | 490 |
| 491 | 492 | 493 | 494 | 495 | 496 | 497 | 498 | 499 | 500 |
| 501 | 502 | 503 | 504 | 505 | 506 | 507 | 508 | 509 | 510 |
| 511 | 512 | 513 | 514 | 515 | 516 | 517 | 518 | 519 | 520 |
| 521 | 522 | 523 | 524 | 525 | 526 | 527 | 528 | 529 | 530 |
| 531 | 532 | 533 | 534 | 535 | 536 | 537 | 538 | 539 | 540 |
| 541 | 542 | 543 | 544 | 545 | 546 | 547 | 548 | 549 | 550 |
| 551 | 552 | 553 | 554 | 555 | 556 | 557 | 558 | 559 | 560 |
| 561 | 562 | 563 | 564 | 565 | 566 | 567 | 568 | 569 | 570 |
| 571 | 572 | 573 | 574 | 575 | 576 | 577 | 578 | 579 | 580 |
| 581 | 582 | 583 | 584 | 585 | 586 | 587 | 588 | 589 | 590 |
| 591 | 592 | 593 | 594 | 595 | 596 | 597 | 598 | 599 | 600 |
| 601 | 602 | 603 | 604 | 605 | 606 | 607 | 608 | 609 | 610 |
| 611 | 612 | 613 | 614 | 615 | 616 | 617 | 618 | 619 | 620 |
| 621 | 622 | 623 | 624 | 625 | 626 | 627 | 628 | 629 | 630 |
| 631 | 632 | 633 | 634 | 635 | 636 | 637 | 638 | 639 | 640 |
| 641 | 642 | 643 | 644 | 645 | 646 | 647 | 648 | 649 | 650 |
| 651 | 652 | 653 | 654 | 655 | 656 | 657 | 658 | 659 | 660 |
| 661 | 662 | 663 | 664 | 665 | 666 | 667 | 668 | 669 | 670 |
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| 781 | 782 | 783 | 784 | 785 | 786 | 787 | 788 | 789 | 790 |
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| 801 | 802 | 803 | 804 | 805 | 806 | 807 | 808 | 809 | 810 |
| 811 | 812 | 813 | 814 | 815 | 816 | 817 | 818 | 819 | 820 |
| 821 | 822 | 823 | 824 | 825 | 826 | 827 | 828 | 829 | 830 |
| 831 | 832 | 833 | 834 | 835 | 836 | 837 | 838 | 839 | 840 |
| 841 | 842 | 843 | 844 | 845 | 846 | 847 | 848 | 849 | 850 |
| 851 | 852 | 853 | 854 | 855 | 856 | 857 | 858 | 859 | 860 |
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| 871 | 872 | 873 | 874 | 875 | 876 | 877 | 878 | 879 | 880 |
| 881 | 882 | 883 | 884 | 885 | 886 | 887 | 888 | 889 | 890 |
| 891 | 892 | 893 | 894 | 895 | 896 | 897 | 898 | 899 | 900 |
| 901 | 902 | 903 | 904 | 905 | 906 | 907 | 908 | 909 | 910 |
| 911 | 912 | 913 | 914 | 915 | 916 | 917 | 918 | 919 | 920 |
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| 931 | 932 | 933 | 934 | 935 | 936 | 937 | 938 | 939 | 940 |
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Continued on next page

YOUR

AMERICA

Dow takes lead from firmer Treasuries

Wall Street

AFTER Tuesday's big advance, US share prices posted modest gains yesterday, supported by the latest rally in the bond market, writes Patrick Harverson in New York.

At 1 p.m., the Dow Jones Industrial Average was up 3.51 at 3,404.04. The more broadly based Standard & Poor's 500 was up 0.98 at 448.88, while the Amex composite was 1.48 higher at 411.55. The Nasdaq composite was the day's best performer, rising 4.7 to 892.19. Trading volume on the NYSE totalled 180m shares by 1 p.m., as rises outnumbered declines by 1105 to 655.

The markets spent the morning digesting the gains earned on Tuesday, when a rush of buying lifted the Dow more than 45 points. Consequently, prices opened slightly lower as some investors took profits and others sat on the sidelines waiting for the markets' next move.

Gradually, stocks recovered from their early losses, aided by another big rise in the US Treasury market, where technical buying and hopes for lower German interest rates pushed the yield on the benchmark 30-year bond to below 6.8 per cent, its lowest level ever. Falling interest rates are

regarded as good for equity investors, because they provide companies with cheap capital for restructuring or expansion, and cut the cost of mortgages and other borrowings for consumers.

The latest drop in long-term interest rates boosted financial stocks, especially mortgage providers and banks, which usually see an increase in loan demand when borrowing costs

MEXICO was higher in early trading yesterday on expectations of stable interest rates and renewed foreign demand for stocks. The IPC index moved ahead 16.77 to 1,607.20 in volume of some 18.7m shares, with advancing stocks outnumbering declines by a ratio of 28-to-one.

fall. Federal Home Loan Mortgage rose 1 1/2 to 103 1/2, Federal National Mortgage Association climbed 3/4 to 83 1/2, and Countrywide Credit put on 3/4 at 84 1/2.

Among bank stocks, Wells Fargo rose 1/4 to 103 1/2, Chemical firm rose 1/4 to 42 1/2, Chase Manhattan rose 1/4 to 32 1/2, Banc One put on 1/4 to 53 1/2, and Citicorp added 1/4 to 28 1/2. In spite of a downgrade from NatWest Securities, which believes that the bank's strong performance will begin to wane in the second half of this

year and 1994. General Cinema rose 1 1/2 to 35 1/2 after the company announced first quarter net income of 40 cents a share, up from the 34 cents a share reported as operating income a year ago.

Woolworth fell 1/4 to 32 1/2 after the big retailing group reported fourth quarter after-tax profits of \$165m.

On the Nasdaq market, prices continued to recover from recent losses. ChemTrak rose another 3/4 to 14 1/2, with investors continuing to pick up the stock following the announcement that the Food and Drug Administration has approved the sale of the company's non-prescription home cholesterol test.

Canada

TORONTO edged modestly higher by midday, underpinned by continued strength in US and Canadian bond markets and bolstered by hopes of further cuts in domestic short-term credit rates.

The TSE 300 index was 11.78 firmer at 3,458.00 in volume of 30.9m shares valued at C\$250m. Advances led declines 310 to 230 with 251 unchanged. Gainers included Newbridge Networks which advanced 3 1/2 to C\$61 1/2 in light turnover of 11,767 shares.

EUROPE

Bourses await word from Bundesbank

OPINION was evenly divided among observers yesterday as to whether the Bundesbank would cut interest rates at today's meeting, writes Our Markets Staff.

Among the reasons offered for at least a 0.5 percentage point reduction were progress on securing wage settlements at around 3 per cent, and a cut in minimum reserve requirements announced on Monday. The pro-camp also noted that the next council meeting on March 18 was very near to the French elections and the Bundesbank might not want to lower rates at such a politically sensitive time. Others commented that the need to reach an agreement on the solidarity pact might delay a decision.

As many bourses marked time yesterday observers agreed that whatever happened today German rates were set to decline by up to 2 percentage points over the year, and that market momentum in the medium term.

FRANKFURT moved in a narrow range during the day, the DAX index shedding 3.01 to 1,893.73 as turnover rose to DM8.1bn from DM6.8bn.

Among financials Commerzbank put on DM1 to DM290, Deutsche DM2 to DM713 and Dresdner DM1.20 to DM408.50. Chemicals remained under pressure with BASF down DM4.40 to DM231.20 and Hoechst easing DM4.30 to DM235.60.

PARIS retreated from Tuesday's 2,000 level as Charleux surprised the market with 1992 earnings below most forecasts and the shares lost FF115 to FF11.285.

The CAC-40 index finished 6.26 lower at 1,985.24 in turnover of some FF13.2bn. Suez, which reported an estimated 1992 loss of some FF1.9bn after the close, saw the shares ease in anticipation of FF1.10 to FF1.296.40. Euro-tunnel was off FF1.35 at FF1.39.50 as talks with TML in London ended without agreement, while Peugeot lost FF18 to FF18.21 on further warnings of depressed European car sales.

AMSTERDAM saw a rise in the CBS Tendency index of 0.6 to 99.9 as Philips advanced 90 cents to FL21.10 ahead of

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FT-SE Actuaries Share Indices

| | | THE EUROPEAN SERIES | | | | | | | | | |
|---------------------|---------|---------------------|---------|---------|---------|---------|---------|---------|-------|--|--|
| | | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close | | |
| Hourly changes | | | | | | | | | | | |
| FT-SE Eurotrack 100 | 1163.41 | 1162.47 | 1161.82 | 1160.30 | 1160.06 | 1161.11 | 1160.55 | 1159.99 | | | |
| FT-SE Eurotrack 250 | 1223.60 | 1221.84 | 1222.63 | 1222.65 | 1222.62 | 1222.97 | 1222.10 | 1221.53 | | | |
| Mar 2 | | | | | | | | | | | |
| FT-SE Eurotrack 100 | 1154.71 | 1154.20 | 1154.80 | 1154.80 | 1154.80 | 1154.80 | 1154.80 | 1154.80 | | | |
| FT-SE Eurotrack 250 | 1211.84 | 1213.57 | 1194.07 | 1178.13 | 1172.14 | | | | | | |
| Mar 23 | | | | | | | | | | | |
| FT-SE Eurotrack 100 | 1154.71 | 1154.20 | 1154.80 | 1154.80 | 1154.80 | 1154.80 | 1154.80 | 1154.80 | | | |
| FT-SE Eurotrack 250 | 1211.84 | 1213.57 | 1194.07 | 1178.13 | 1172.14 | | | | | | |

Base rate 1993 (25/10/92) 10% - 1153.41; 20% - 1224.58; 10% - 1153.41; 20% - 1224.58

from renewed interest in Roche certificates, after their recent consolidation and the shares rose SF160 to SF140.10. Banks were mixed with some swapping noted out of Union Bank of Switzerland and into CS Holding and Swiss Bank. UBS bearers eased SF1 to SF1.944 while SBC bearers rose SF1 to SF1.966 ahead of next week's annual news conference. CS Holding bearers added SF1.20 to SF1.230 ahead of Friday's 1992 earnings figures from Credit Suisse.

Nestle put on SF1.10 to SF1.140 as the European Commission said that the proposed sale of four French mineral water brands were sufficient to make Nestle's takeover of Perrier compatible with EC competition rules.

MILAN found private domestic investors making the running, in the absence of the institutional and foreign buyers, and attention switched to second-line stocks and some recent laggards among the blue chips. The Comit index dipped 3.54 to 533.14.

Among blue chips regarded as recent under-performers, Olivetti rose L170 to 74 per cent to L2,450 and Montedison firmed L50 to L1,290 after hours.

STOCKHOLM moved higher encouraged by lower domestic interest rates and the AFNÄR index general index ended up 4.3 to 1,018.6. Turnover weakened to SKR795 from SKR729.

ISTANBUL shares rebounded 3.1 per cent in active buying after the 7.5 per cent decline of the previous three sessions as investors ignored a severe cash shortage faced by banks due to TL16,800bn of auction payments to the Treasury. The market index rose 176.72 to 5,813.97 after losing 454.33 points since last Wednesday's all-time-high close.

A period of expansion dawns for NZ equities

Terry Hall observes a new mood among investors

Trading on the New Zealand stock market continued its stop-go pattern this week, with investors concentrating on the flow of results from heavyweight stocks.

There is unusual interest in these results, mostly for stocks with December 31 balance dates, because of widespread awareness that the economy is changing as it moves out of recession.

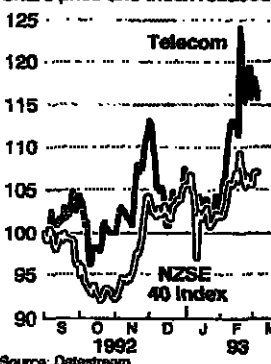
Investors are keen to see which companies are coping best, as New Zealand comes to terms with its strongest expansion since 1984-85. They also want evidence that the companies will cope well with the new environment by ruthlessly cutting costs and debt in pursuit of continued profit improvements.

The past three quarters have seen business confidence at its highest level since 1972-73, matched by a flow of encouraging statistics on everything from GDP growth, to low inflation, and increased investment in manufacturing and farming. Against this is concern that rising imports may damage the balance of payments and exports may fall because of the international recession. For example wool earnings, although now a relatively minor export, are sharply down.

There is also the prospect of another rise in interest rates if the Reserve Bank repeats its January action and intervenes to support the New Zealand dollar in pursuit of its low inflation target. It is also election year, with the ruling Labour Party facing a general election in the polls.

Most companies in the Feb-

Share price and index rebounded



Source: Datastream

ruary reporting round have announced profits in line with, or better than expectations. Telecom Corporation, now the biggest company in the country, accounting for 19.9 per cent of the NZSE-40 index, soared 60 cents from early January, reaching a high of \$2.87 (\$1.50) on February 16. This followed its announcement of a 9.7 per cent rise in profits in the nine months to December 31. The group also said it was making a further 5,200 staff redundant during the next four years in a determined bid to stay competitive.

Telecom, which eased back subsequently in line with the setback in Wall Street, where it is also listed, has since rallied, closing yesterday at NZ\$2.64. Fletcher Challenge, the forestry and energy group, announced a six month profit in line with expectations, and confirmed that its asset selling programme was on target. It closed yesterday at NZ\$2.57, up from NZ\$1.53 last October. The NZSE-40 index closed yesterday at 1,588.03.

Attention is now focused on

Brierley Investments' result, due to be released today. The shares closed yesterday at NZ\$1.09. Brierley has also been re-rated after disclosing wide ranging restructuring plans, including boardroom changes, in November, when it had traded as low as 82 cents.

Brierley is expected to announce half-year earnings of around NZ\$105m (up from NZ\$90m), including profits of up to NZ\$30m on recent sales. The group's New Zealand profits are expected to be up sharply in line with the improving economy, although a negative contribution is expected from its investment in a UK hotel group.

Analysts have lifted their earnings estimates for most of the leading companies that have so far reported, based on the strong rise in GDP and continued cost cutting. However some second-line stocks have been marked back after reporting profits below expectations. There is a widespread view among brokers and analysts that the market could continue to mark time until the March 31 tax period. This will allow investors to come to terms with the recent strong upward price movements in the leaders. Leading broker Buttle Wilson described the prices of the leaders this week as "only mildly cheap".

However, a wild card is the influence of Wall Street, Australia and other markets. International investors are taking an increasing interest in New Zealand equities, leading to 24-hour trading with New York and other northern hemisphere markets.

ASIA PACIFIC

Hong Kong closes at a new high for 1993

Tokyo

CONCERN about earnings at leading blue chip exporters prompted late selling and the Nikkei average lost ground for the third consecutive day, writes Emiko Terazono in Tokyo.

The 225-issue average closed 10.33 easier at 16,853.92 after a high for the day of 16,949.33 set in the morning session and a low of 16,811.58 in the afternoon. The index firmed in the morning on active buying in Nippon Telegraph and Telephone stocks, but later lost ground as the yen strengthened above the ¥117 level against the dollar.

Trading volume totalled 240m shares, against Tuesday's 228m. Declines outnumbered advances by 497 to 458, with 183 issues unchanged. The Topix index of all first section stocks slipped 3.24 to 1,272.58, and in London the ISE/Nikkei 50 index ended 0.88 off at 1,717.16.

Interest in NTT and companies linked to telecommunications supported the market in early trading. Comments by Mr Kabun Muto, head of the ruling Liberal Democratic Party's tax system research commission, calling for NTT to buy shares held by the government, together with a rise in city-call rates, boosted sentiment.

NTT finished ¥34,000 ahead at ¥682,000 on trading of 54,624 shares, the heaviest since April 21, 1987. Nomura Research Institute said a range between ¥680,000 to ¥770,000 reflected

SOUTH AFRICA

CONCERN that the government is planning tough measures for its budget on March 17 weighed on a Johannesburg market already unsettled by worries about De Beers' year-end results, due next week.

The overall index shed 30 to 3,367 and industrials ended 37 lower at 4,429. Golds gave up an early, small advance to finish unchanged at 947.

De Beers was 82.75 down at R64.95, but off the day's low of R64.10, with analysts sharply divided in their views on the company's performance.

NTT's business and financial fundamentals.

Companies with close ties to NTT also gained ground, with Nippon Comsys firming ¥4 to ¥731 and Kyowa Exeo advancing ¥11 to ¥870. Cable companies were strong, with Mitsubishi Cable gaining ¥5 to ¥585 and Fujikura ¥10 to ¥579.

The stronger yen helped electric utilities, which would see lower fuel import costs due to a higher currency. The electric power sector advanced 1.36 per cent, with Tokyo Electric Power appreciating ¥70 to ¥2,630 and Kansai Electric Power ¥40 to ¥2,420.

However, high-technology exporters slipped on fears of lower earnings. Matsushita Electric Industrial weakened ¥30 to ¥1,010 and TDK dropped ¥190 to ¥3,000.

Mazda Motor retreated ¥11 to ¥412 on its announcement that it had terminated negotia-

tions with Ford Motor, of the US, to start a European vehicle production venture.

In Osaka, the OSE average receded 60.17 to 17,926.65 in volume of 35.3m shares. The higher yen hurt Nintendo, the video game maker, which declined ¥170 to ¥9,720.

Roundup

SOME Pacific Rim markets managed strong advances but others were more restrained.

HONG KONG moved ahead to set a 1993 high, encouraged by forecasts of strong economic growth by Mr Manish Macleod, the financial secretary, in his 1993 budget speech, and by the view that Mr Chris Patten, the governor, was showing signs of agreeing to some Chinese conditions for talks on the colony's political future.

The Hang Seng index rose 92.41, or 1.46 per cent, to

6,436.64, helped by strong US institutional demand. Turnover was high at HK\$3.7bn.

The Hang Seng's all-time closing peak of 6,447 was set on November 12, before the Sino-British row wiped more than 20 per cent from stock values.

Among the most active issues, Citic Pacific was 60 cents higher at HK\$16.50, HSBC up HK\$1.50 at HK\$66 and Hutchison Whampoa 10 cents ahead at HK\$17.80.

TAIWAN was the centre of very heavy speculative demand that took shares 5.5 per cent higher in a round of bargain hunting after Tuesday's 3.9 per cent fall. The weighted index ended 237.62 stronger at an eight-month high of 4,582.61. Turnover remained heavy, although it was down from Tuesday's T\$93.1bn to T\$74bn.

MANILA was another firm spot and the composite index advanced 44.72, or 3 per cent,

to 1,518.67. Manila Electric "B" shares rose 15 pesos to 295 pesos on expectations of good 1992 earnings and rumours of a stock dividend.

AUSTRALIAN shares retreated steadily during the day as the Labor party's rise in the opinion polls provoked a round of profit-taking.

The All Ordinaries index opened briefly higher, taking its lead from Wall Street's overnight performance, but it soon turned down to finish a net 18.9 lower at 1,831.2m.

SINGAPORE ended little changed after failing to sustain gains made in the afternoon from selective buying. The Straits Times Industrial index lost 0.76 at 1,852.05.

BANGKOK relinquished the gains made on Tuesday, the SET index shedding 16.49 - half of it in afternoon trade - to 905.99 in sluggish trade.

INVITATION FOR INTERNATIONAL PUBLIC TENDER

CONCESSION OF DRINKING WATER AND SEWAGE DRAINAGE SERVICES CURRENTLY PROVIDED BY DIRECCION PROVINCIAL DE OBRAS SANITARIAS (DIPOS) [PROVINCIAL BOARD OF SANITARY WORKS] OF THE PROVINCE OF TUCUMAN

Law N° 6071, Decree Ac. N° 07/1 - 93; Decree N° 288/3/93

FIRST STAGE

OBJECT: CALL FOR PREQUALIFICATION OF BIDDERS INTERESTED IN THE CONCESSION.

OPENING OF TENDERS

PLACE: HOUSE OF GOVERNMENT, White Hall, located at 90, 25 de Mayo St., 1st. Floor, City of San Miguel de Tucumán, REPUBLIC OF ARGENTINA.

DATE: April 19, 1993 (19.04.93) at 12.00 a.m.

VALUE OF BIDDING CONDITIONS: U.S. \$ 10,000.- (U.S. Dollar Ten Thousand).

SALE OF AND ENQUIRIES UPON BIDDING CONDITIONS: Bidding Conditions may be enquired upon or purchased as from February 18, 1993, (18.02.93) at the DIRECCION PROVINCIAL DE OBRAS SANITARIAS (DIPOS), Telephone 31-0162 Fax 31-0297, located at 129 Monteagudo St., in the City of San Miguel de Tucumán (Mail Code 4000), Republic of Argentina, or at the CASA DE TUCUMAN, located at 823 Bartolomé Mitre St., in the Federal Capital City of Buenos Aires, Republic of Argentina, Telephone: 40-4994 / 40-0655 - Fax 40-5185.

SUBMITTAL OF TENDERS: Bidders may submit their respective tenders at the DIRECCION PROVINCIAL DE OBRAS SANITARIAS (DIPOS), located at 129 Monteagudo St., in the City of San Miguel de Tucumán.

REPUBLIC OF ARGENTINA PROVINCE OF TUCUMAN

Ministry of Economy, Secretariat for Public Works and Services
Dirección Provincial de Obras Sanitarias (DIPOS)

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited
In conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | | TUESDAY MARCH 2 1993 | | | | | | | | | | MONDAY MARCH 1 1993 | | | | | | | | | | DOLLAR INDEX | |
|--|--------|----------------------|----------------|----------------------|-----------|----------|----------------------|--------------|------------------|-----------------|----------------------|---------------------|----------|----------------------|-------------|--------------|-----------------|--|--|--|--|--------------|--|
| Figures in parentheses show number of lines of stock | | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1992/93 Low | 1992/93 High | Year ago approx | | | | | | |
| Australia (69) | 137.06 | +0.8 | 140.28 | 101.97 | 117.04 | 126.67 | +0.4 | 3.81 | 135.93 | 139.95 | 101.90 | 116.38 | 126.11 | 153.58 | 108.18 | 145.22 | 143.73 | | | | | | |
| Austria (18) | 150.89 | +1.1 | 154.24 | 112.12 | 128.88 | 128.30 | +0.6 | 1.75 | 149.01 | 153.42 | 111.71 | 127.55 | 127.58 | 186.70 | 131.16 | 179.93 | 179.93 | | | | | | |
| Belgium (42) | 141.30 | +0.2 | 144.83 | 105.12 | 120.56 | 117.96 | -0.1 | 6.12 | 141.01 | 145.18 | 105.71 | 120.71 | 118.08 | 152.27 | 131.19 | 141.93 | 141.93 | | | | | | |
| Canada (113) | 119.30 | +0.7 | 122.72 | 99.20 | 102.38 | 106.35 | +0.5 | 3.09 | 118.10 | 122.62 | 89.68 | 101.94 | 107.84 | 142.12 | 117.45 | 74.38 | 74.38 | | | | | | |
| Denmark (33) | 201.62 | +0.8 | 206.38 | 150.01 | 172.17 | 172.76 | +0.6 | 1.33 | 199.93 | 205.84 | 149.89 | 171.14 | 171.65 | 273.94 | 181.70 | 241.51 | 241.51 | | | | | | |
| Finland (23) | 72.31 | +1.6 | 74.01 | 53.80 | 61.75 | 90.37 | +1.0 | 1.52 | 71.19 | 73.30 | 53.37 | 60.94 | 89.50 | 82.84 | 82.84 | 82.84 | 82.84 | | | | | | |
| France (98) | 159.18 | +0.4 | 162.92 | 118.42 | 135.82 | 135.02 | +0.1 | 3.23 | 158.48 | 161.70 | 118.81 | 135.63 | 138.85 | 168.75 | 135.03 | 154.38 | 154.38 | | | | | | |
| Germany (52) | 113.63 | +0.0 | 116.30 | 84.55 | 97.03 | 97.03 | -0.2 | 2.36 | 113.82 | 116.96 | 85.19 | 97.25 | 97.25 | 129.69 | 107.65 | 117.45 | 117.45 | | | | | | |
| Hong Kong (55) | 296.61 | -0.9 | 282.85 | 190.92 | 219.14 | 254.78 | -0.9 | 3.55 | 258.91 | 265.56 | 194.10 | 221.94 | 257.06 | 232.26 | 176.36 | 200.30 | 200.30 | | | | | | |
| Ireland (16) | 141.97 | +2.9 | 145.31 | 105.63 | 121.23 | 135.16 | +2.7 | 3.93 | 137.98 | 142.06 | 103.44 | 118.11 | 131.94 | 173.71 | 122.88 | 161.34 | 161.34 | | | | | | |
| Italy (20) | 118.50 | +0.2 | 121.84 | 47.64 | 54.58 | 75.01 | -0.1 | 2.89 | 112.61 | 116.80 | 69.91 | 54.71 | 107.14 | 107.14 | 117.45 | 74.38 | 74.38 | | | | | | |
| Japan (672) | 106.76 | +0.7 | 111.32 | 80.91 | 92.88 | 90.91 | +0.0 | 1.03 | 107.97 | 111.16 | 80.94 | 92.44 | 103.58 | 143.95 | 87.27 | 116.30 | 116.30 | | | | | | |
| Malaysia (63) | 273.22 | +0.1 | 281.70 | 204.76 | 236.01 | 278.06 | +0.2 | 2.21 | 275.09 | 281.29 | 206.19 | 235.44 | 278.21 | 288.22 | 212.42 | 249.42 | 249.42 | | | | | | |
| Mexico (18) | 147.84 | +0.9 | 150.57 | 105.60 | 125.71 | 149.88 | +0.1 | 1.20 | 145.93 | 150.18 | 105.42 | 124.63 | 149.47 | 172.77 | 118.54 | 176.74 | 176.74 | | | | | | |
| Netherlands (22) | 122.22 | +0.2 | 125.19 | 91.22 | 101.12 | 112.12 | -0.3 | 2.43 | 122.49 | 125.09 | 91.22 | 101.12 | 112.12 | 122.22 | 118.54 | 143.73 | 143.73 | | | | | | |
| New Zealand (13) | 39.99 | +0.2 | 40.87 | 34.15 | 39.18 | 46.11 | -0.1 | 4.74 | 45.80 | 47.15 | 34.18 | 39.20 | 46.11 | 42.36 | 37.39 | 48.95 | 48.95 | | | | | | |
| Norway (22) | 153.23 | -0.2 | 146.93 | 118.90 | 131.71 | 171.07 | -0.7 | 2.02 | 139.90 | 143.92 | 104.58 | 119.41 | 132.08 | 192.55 | 126.05 | 189.53 | 189.53 | | | | | | |
| Portugal (98) | 22.22 | +0.2 | 22.22 | 19.12 | 22.22 | 22.22 | +0.2 | 2.84 | 22.22 | 22.22 | 19.12 | 22.22 | 22.22 | 22.22 | 14.99 | 126.69 | 126.69 | | | | | | |
| South Africa (50) | 165.21 | -0.9 | 169.10 | 122.91 | 147.10 | 162.12 | -0.9 | 3.07 | 166.73 | 171.56 | 122.99 | 147.22 | 165.83 | 263.80 | 134.21 | 218.38 | 218.38 | | | | | | |
| Spain (46) | 127.08 | +0.3 | 130.07 | 94.55 | 108.51 | 113.26 | -0.3 | 5.33 | 127.12 | 130.67 | 95.30 | 108.81 | 113.63 | 181.72 | 107.10 | 151.77 | 151.77 | | | | | | |
| Sweden (38) | 162.76 | +0.0 | 166.99 | 121.10 | 136.99 | 165.95 | +0.5 | 2.06 | 162.76 | 167.31 | 121.99 | 136.29 | 167.17 | 200.28 | 146.89 | 180.44 | 180.44 | | | | | | |
| Switzerland (13) | 112.32 | +0.1 | 114.24 | 83.58 | 95.08 | 107.08 | +0.4 | 2.94 | 111.61 | 114.22 | 83.58 | 95.08 | 107.08 | 112.32 | 109.69 | 126.69 | 126.69 | | | | | | |
| United Kingdom (226) | 168.27 | +0.6 | 172.23 | 125.18 | 143.68 | 172.89 | +0.0 | 4.28 | 167.72 | 172.21 | 125.38 | 143.17 | 172.21 | 200.70 | 181.86 | 180.44 | 180.44 | | | | | | |
| USA (222) | 142.00 | +1.3 | 147.21 | 136.09 | 156.19 | 182.60 | +1.3 | 2.77 | 140.68 | 145.96 | 135.41 | 154.62 | 180.62 | 153.78 | 160.92 | 168.82 | 168.82 | | | | | | |
| Europe (778) | 180.00 | +0.4 | 183.30 | 104.16 | 116.59 | 132.88 | +0.0 | 3.53 | 180.43 | 183.55 | 104.83 | 116.62 | 132.85 | 186.86 | 131.31 | 145.82 | 145.82 | | | | | | |
| Nordic (114) | 150.18 | +0.3 | 153.71 | 71.73 | 128.24 | 150.05 | +0.5 | 1.37 | 151.95 | 155.19 | 71.73 | 128.24 | 150.18 | 150.34 | 141.24 | 174.30 | 174.30 | | | | | | |
| Scandinavia (715) | 124.90 | +0.5 | 127.84 | 92.92 | 106.65 | 105.05 | +0.0 | 2.35 | 124.25 | 127.93 | 93.14 | 106.38 | 105.49 | 145.13 | 118.30 | 166.46 | 166.46 | | | | | | |
| Europe - Pacific (143) | 124.90 | +0.5 | 127.84 | 92.92 | 106.65 | 105.05 | +0.0 | 2.35 | 124.25 | 127.93 | 93.14 | 106.38 | 105.49 | 145.13 | 118.30 | 166.46 | 166.46 | | | | | | |
| North America (653) | 176.98 | +1.2 | 183.23 | 133.19 | 152.88 | 177.85 | +1.2 | 2.78 | 176.80 | 182.03 | 132.56 | 151.37 | 175.89 | 198.76 | 158.76 | 196.46 | 196.46 | | | | | | |
| Europe Ex. UK (525) | 176.98 | +1.2 | 183.23 | 133.19 | 152.88 | 177.85 | +1.2 | 2.78 | 176.80 | 182.03 | 132.56 | 151.37 | 175.89 | 198.76 | 158.76 | 196.46 | 196.46 | | | | | | |
| Europe Ex. UK (525) | 176.98 | +1.2 | 183.23 | 133.19 | 152.88 | 177.85 | +1.2 | 2.78 | 176.80 | 182.03 | 132.56 | 151.37 | 175.89 | 198.76 | 158.76 | 196.46 | 196.46 | | | | | | |
| World Ex. UK (1864) | 126.98 | +0.5 | 128.43 | 93.73 | 107.58 | 107.40 | +0.0 | 2.38 | 126.54 | 129.05 | 93.97 | 107.30 | 107.42 | 146.91 | 119.51 | 132.63 | 132.63 | | | | | | |
| World Ex. UK (1864) | 141.88 | +0.5 | 145.93 | 93.57 | 121.18 | 136.92 | +0.5 | 2.54 | 142.95 | 147.18 | 93.57 | 121.18 | 136.92 | 155.95 | 119.51 | 132.63 | 132.63 | | | | | | |
| World Ex. UK (1864) | 141.88 | +0.5 | 145.93 | 93.57 | 121.18 | 136.92 | +0.5 | 2.54 | 142.95 | 147.18 | 93.57 | 121.18 | 136.92 | 155.95 | 119.51 | 132.63 | 132.63 | | | | | | |
| World Ex. Japan (2738) | 164.26 | -0.9 | 168.13 | 122.22 | 140.29 | 159.73 | +0.7 | 3.05 | 162.86 | 167.88 | 122.11 | 139.43 | 158.99 | 165.40 | 151.93 | 190.77 | 190.77 | | | | | | |
| The World Index (2204) | 144.20 | +0.8 | 147.59 | 107.29 | 123.14 | 139.63 | +0.5 | 2.54 | 143.61 | 147.24 | 107.22 | 122.43 | 129.65 | 130.76 | 130.76 | 140.77 | 140.77 | | | | | | |